

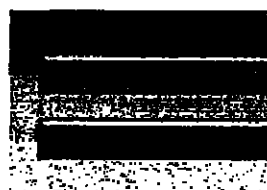
Dublin



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German piano makers trade on quality
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FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY SEPTEMBER 7 1994

FD8523A

Pope calls off Sarajevo visit as shells fall

Pope John Paul postponed his planned visit to the Bosnian capital, Sarajevo, tomorrow after failing to win security guarantees from the Bosnian Serbs. The Vatican said the 74-year-old Pontiff did not want to expose Sarajevo to "grave risks" or allow the purpose of the visit to be misconstrued and contribute to tension. The postponement came on a day when Bosnian Serbs fired 11 artillery rounds inside Sarajevo's weapons exclusion zone.

Eastman Kodak, the US photographic products group, sold its clinical diagnostics business for \$1bn to US healthcare company Johnson & Johnson. The deal brings Kodak's disposals since June to over \$5.5bn. Page 17; Lex, Page 16

Metallgesellschaft shares fall 8%: Shares in the ailing German metals, engineering and chemicals group, fell 8 per cent as investors reacted to reports of possible moves to strengthen the group's share capital. Page 17

Warrant for Mexican tycoon: Mexican businessman Carlos Cabal Peniche, head of a big banking group and of fruit company Del Monte Fresh Produce, has been charged with fraud. The finance ministry took over his Banca Creni and Banco Union and their subsidiaries. Page 16

Lacklustre recovery in Japan: Japan's central bank said a lacklustre economic recovery was under way in the country, hampered by a weak jobs market and a continued decline in corporate investment. Page 5

Hong Kong airport not ready for 1997: Hong Kong admitted that the colony's new airport would not be fully operational by the time British rule comes to an end in 1997. Page 5

US backs Russia's peacekeeping role: Russia's role as peacekeeper within the Commonwealth of Independent States won US blessing yesterday. Madeleine Albright (left), US ambassador to the United Nations, approved the role - but she stressed that it was not an ideal solution for settling disputes in the region and insisted it was up to Russia to show that its peacekeeping activities were benign. Page 16

LVMH of France, one of the world's largest luxury businesses, increased interim net profits by 35 per cent to FF1.26bn (\$236m) and said it was on course for full-year profits growth of 20 per cent. Page 17

Jobless in Germany: German unemployment edged up in August after two months of falls, but the federal labour office gave an upbeat assessment of employment prospects. Page 2

Bowater, UK paper group, boosted six-month taxable profits before exceptional items by 15 per cent, helped by a recovery in its packaging and printing businesses. Headline profits rose to £105m (\$162.75m) from £103m. Page 18; Lex, Page 16

Comp plotter escaped: Former Cambodian interior minister Sin Song, who was arrested for plotting a failed coup attempt last July, has escaped from custody with several of his guards, information minister Khieu Kanharith said.

Nigerian union suspends strikes: Sacked leaders of Nigeria's striking oil unions formally suspended their pro-democracy stoppage.

China spurs out nuclear plans: China plans to build more nuclear power plants, especially in boom coastal areas, Chinese nuclear official Shen Wen Quan told a nuclear power conference in Vienna. Shen said four 900MW reactors were planned for Guangdong and two 1,000MW reactors at Liaoning.

The Bank of Portugal lowered banks' minimum reserve requirements to 2 per cent of total deposits from 17 per cent. The move was aimed at making Portuguese banks more competitive internationally.

Anastasia did die with Tsar: Russian experts believe Anastasia, daughter of Tsar Nicholas II, was indeed murdered with her family by the Bolsheviks in 1918. But the remains of two other royal children were not among the bones found near the Ural city of Yekaterinburg in 1991.

Okapi barbecue probes: Copenhagen University is investigating reports that students barbecued the meat of an okapi - a rare giraffe-like animal - which died at the city's zoo when it heard Wagner played at a nearby open air concert.

STOCK MARKET INDICES	
FT-SE 100	3,255.4 (+36.1)
Yield	3.32
FT-SE 100 100	1,371.03 (+0.08)
FT-SE-A All-Share	1,087.26 (+0.39%)
Nickel	29,283.08 (-15.20)
New York headline:	
Dow Jones Ind Ave	3,894.91 (+0.58)
S&P Composite	470.33 (+0.58)

US LUNGTIME RATES	
Federal Funds	4.25%
3-mo Treas Bill: Yld	4.064%
Long Bond	3.91%
Yield	7.599%

LONDON MONEY	
3-mo Interbank	5.14% (same)
Little long gilt future	Den 101

NORTH SEA OIL (Argus)	
Brent 15-day (Oct)	\$318.35 (15.925)

Gold	
New York Comex (Dec)	\$392.2 (391.4)
London	\$397.5 (397.2)

STERLING	
New York headline:	
London	1.5496 (1.5481)
DM	2.2804 (2.4022)
FF	8.1946 (8.2402)
SFR	2.1828 (2.0216)
Y	162.028 (163.644)
£ Index	76.5 (76.3)

DOLLAR	
New York headline:	
DM	1.54375
FF	5.2252
SFR	1.2595
Y	98.7
£ Index	76.5

Unionists condemn Dublin talks ■ Major refuses to hear DUP protest Irish PM meets Sinn Féin

By Tim Coons in Dublin, Kevin Brown in London and Jimmy Burns in Belfast

Seventy years of Irish history was turned on its head yesterday as Mr Albert Reynolds, the Irish prime minister, shook hands in Dublin with the Sinn Féin leader, Mr Gerry Adams, and Mr John Major ejected Mr Ian Paisley, leader of the hardline Democratic Unionist party, from a meeting in Downing Street.

Mr Reynolds' meeting with Mr Adams marked the re-emergence of Sinn Féin, the political wing of the IRA, as a mainstream party for the first time since the Irish civil war in the 1920s.

Together with Mr John Hume, the SDLP leader who attended the meeting, they said "We are at the beginning of a new era in which we are all totally and absolutely committed to democratic and peaceful methods of resolving our political problems."

The meeting was condemned by rightwing Conservative MPs and Unionist leaders, who claimed that Dublin had broken an agreement not to meet Sinn Féin leaders for three months after a permanent ceasefire.

However, Mr Major refused to listen to protests from Mr Paisley, the single most popular Unionist politician in Northern Ireland, during a meeting at Downing Street. As Mr Paisley attempted to read a prepared statement, Mr Major three times demanded an assurance that the DUP leader would accept his word that no secret deals had been done.

When Mr Paisley refused to give such an assurance, Mr Major abruptly ended the meeting. Mr Michael Ancram, the Northern Ireland minister, said there would be no further meetings until Mr Paisley agreed to accept the prime minister's word.



A new era begins: (from left) Gerry Adams, Albert Reynolds and John Hume seal with a handshake their historic meeting in Dublin

The confrontation followed a direct negotiation until a proper period has passed so that we can gauge whether the cessation of violence is indeed permanent.

The British approach contrasted sharply with the Dublin statement from Mr Reynolds, Mr Adams and Mr Hume. They said their objective was to build upon the IRA ceasefire announcement last week and to achieve "an equitable and lasting agreement" for Ireland's future.

They appealed to Unionists in Northern Ireland to join in talks. Mr Reynolds said Mr Major

cautious and not to engage in direct negotiations until a proper period has passed so that we can gauge whether the cessation of violence is indeed permanent.

He challenged his critics, saying: "To those people who say 'Why so soon?' my answer has to be - it is never too soon to save a life, and never too soon to stop the killing."

Unionist leaders reacted angrily to the meeting. Mr David Trimble, the Ulster Unionist MP for Upper Bann, said he was "astounded" it had taken place.

Mr Trimble said: "For an Irish prime minister to meet with the leader of a subversive organisation who has got his private army intact is really quite astounding."

Republican sources in Belfast said yesterday that the IRA had no intention in the short to medium term of being more specific about the meaning of its ceasefire for political reasons.

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Not an issue for compromise, Page 15
Lex, Page 16

US displaces Japan as most competitive nation

By Frances Williams in Geneva

After eight years as undisputed economic pacesetter Japan has lost its ranking as the world's most competitive economy to the US. It has slipped to third place after Singapore, according to the latest World Competitiveness Report published today.

Three other East Asian nations - Hong Kong, Malaysia and Taiwan - make the top 20 while Italy, with the world's fifth largest economy, comes an ignominious 32nd out of 41 nations assessed - behind Turkey, Colombia and Indonesia. Germany, the highest rated European country, comes fifth.

The rankings, which attempt to measure the ability of a country

to outperform its competitors, are compiled annually by the Swiss-based International Institute for Management Development and the World Economic Forum.

This is the first time industrialised and developing countries have been included in the same scoreboard, although China and Russia were excluded for lack of comparable information.

Countries are ranked in eight areas, such as domestic economic strength, infrastructure and management, on the basis of 381 criteria which range from computers per capita to alcohol and drug abuse. About a third of the data comes from a poll of 2,850 business executives worldwide.

The US resurgence is attributed principally to the strong

and early economic recovery, coupled with high scores on entrepreneurship, internationalisation and "financial vitality".

Japan's ranking has been hit by the worst economic recession in decades and increasing dissatisfaction with the political system, although it continues to lead in management and technology.

Second-placed Singapore, which has consistently topped the competitiveness rankings among developing countries, is rated first for the extent to which government policies help competitiveness, and for the quality of its labour force.

Hong Kong, which came fourth overall, remains handicapped by uncertainties over China's repositioning of the colony in 1997.

Germany and Switzerland head a fairly stable European pack. Britain came 14th in the global league but moved up two places in the European rankings (from 11th to 9th) on the back of deregulation moves and economic recovery.

Italy's performance reflects a gloomy opinion survey due to "the profound disenchantment of

the Italian people with everything which touches their government or public institutions". On government policies, Italy was rated bottom among the 41 nations.

The latest rankings also show good performances by Chile, Mexico, Argentina and Colombia.

Lean and mean, Page 4

Monetary chief says European currency is nearer

By Lionel Barber in Brussels

Mr Alexandre Lamfalussy, president of the European Monetary Institute, declared yesterday that EU member states had turned a corner and could realistically consider the prospect of a single European currency.

Falling interest rates, low inflation, and close monetary co-ordination among EU central banks had substantially reduced currency instability, Mr Lamfalussy said. In one or two years, there could be some "pleasant surprises" among countries aspiring to join the planned economic and monetary union.

Mr Lamfalussy's upbeat remarks to the European economic and social committee in Brussels came ahead of weekend talks among EU finance ministers. Their meeting in Lindau, near Lake Constance, will discuss politically sensitive procedures for dealing with big national budget deficits, one of the most important tests for EMU membership.

Germany, which holds the rotating EU presidency, has signalled it is unhappy with the European Commission recommendation to exclude Ireland from the "excessive deficits" rules. Luxembourg, the only country which meets Maastricht's deficit criteria, is also excluded.

The Commission supports a generous interpretation of the debt rules because Ireland has in recent years held its annual budget deficit within the Maastricht target of 3 per cent of gross domestic product. But Germany does not want to create a precedent that will make it easier for countries with bigger debt problems, such as Italy, to become full EMU members.

The EU's secretive monetary committee, meeting in Brussels yesterday, was said to have approved Commission proposals for deficit reduction procedures by EU states other than Luxembourg and Ireland.

Mr Lamfalussy steered clear of the controversy over proposals to create a "hard core" of five

Continued on Page 16
Tietmeyer warns on EU integration, Page 2

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NEWS: EUROPE

Bundesbank president stokes fires of row over 'variable geometry' Union

Tietmeyer warns over EU integration

By Christopher Parkes in Frankfurt and our Foreign Staff

Mr Hans Tietmeyer, Bundesbank president, has joined the heated debate over the pace and means of European integration with a warning against the dangers of exclusive clubs at the heart of the process.

While arguing strongly for a multi-speed, concentric-circle formation, he said the question had to be addressed of whether this might divide Europe rather than bring it together.

"Indeed, this danger could arise if countries ready to move into a circle closer to the centre were to be refused access," Mr Tietmeyer wrote in the latest issue of Europa-Archiv, a foreign affairs magazine. "No circle should regard itself as a closed society."

Mr Tietmeyer limited his list of candidates for circle membership to an unspecified, closely knit group prepared to deepen their bonds quickly, other European Union members, participants in the European Economic Area and associated states from central and eastern Europe.

Claiming a single-speed programme would slow progress to that of the lowest common denominator and severely hamper future monetary and political union, he suggested several speeds could reconcile potential conflicts between efforts to widen European union and to deepen it.

"The fear that widening means integration comes to a standstill is based on the idea that each country must take each step at the same time. The slowest will then set the pace," Mr Tietmeyer said. "But the logic of this argument will be broken if the multi-speed model is adopted."

Although he avoided the minefield uncovered last week when leading lights of Chancellor Helmut Kohl's Christian Democratic Union named Germany, France and Benelux as the core members of a "variable geometry" community, his intervention is likely to intensify a row from which Mr Kohl has tried to distance himself.

Mr Wolfgang Schäuble, second only to Mr Kohl in the CDU hierarchy, and a leading



Tietmeyer: "No circle should regard itself as closed society"

proponent of the party's contentious "discussion paper" which started the storm, yesterday repeated that if the pace was dictated by the speed of the "slowest ship in the convoy", union would never come about. A strong core built around France and Germany was necessary, he wrote in the

popular Bild newspaper.

Mr Tietmeyer's comments coincided with fresh signs of confusion in the German government over the policy document from the Christian Democrats, the dominant partner in the Bonn coalition.

Mr Jürgen Chrobog, political director of the German foreign office, told a meeting on Monday of senior EU officials that the paper was not official government policy. His unusually strong statement was made at the beginning of a regular gathering of political directors in Brussels. It was intended to reinforce efforts by Mr Klaus Kinkel, foreign minister, to distance himself from the CDU paper.

Meanwhile Spain's prime minister, Mr Felipe González, who is abroad, is to seek an early meeting in Bonn with Chancellor Kohl, according to Spanish press reports. This reflects both his fear that a two-tier Europe could be high on a Franco-German agenda when the Maastricht treaty is reviewed in 1996 and his self-appointed role as spokesman for poorer EU partners.

The Spanish premier has consistently argued that a two-track integration would derail the principle of political and economic union as envisaged by Maastricht. In order to deflect precisely the sort of policies put forward by the CDU paper, Mr González over the years has championed issues such as European citizenship and cohesion funds for the weaker EU economies.

Meanwhile, the issue has forged an unusual degree of unity between members of the Italian government and opposition. Mr Antonio Martino, the foreign minister, and Mr Piero Fassino in charge of foreign policy in the main opposition group, the former Communist party of the Democratic Left, agreed that EU membership was in the national interest and where possible a bipartisan approach should be adopted to ensure Italy's position was properly defended.

For the first time in public Mr Martino voiced a widely held Italian view that the CDU proposals were announced last week with essentially electoral considerations in mind. But

even if this was the case, Mr Martino said the idea of Italy in the second league was wholly unacceptable.

In Dublin yesterday, Mr Bertie Ahern, Irish finance minister, said: "It would be a matter of grave concern if there were to be a tearaway group. Do people want to rewrite the criteria which have been accepted and voted on by the entire European Union? Either you fulfil those criteria of you don't, Ireland does."

The Irish government fought - and lost - a five-month battle against devaluation in 1992 and 1993 precisely to keep Ireland's currency aligned to the hard currencies within the exchange rate mechanism on track for early incorporation into monetary union.

In Portugal the governing Social Democrats of Mr António Cavaco Silva, the prime minister, appear to have been embarrassed by the CDU, with which they have been trying to forge strong ties. No one from the prime minister's office or the foreign ministry was prepared to comment on the proposals yesterday.

Germany's job hopes improve and orders rise

By Christopher Parkes in Frankfurt and our Foreign Staff

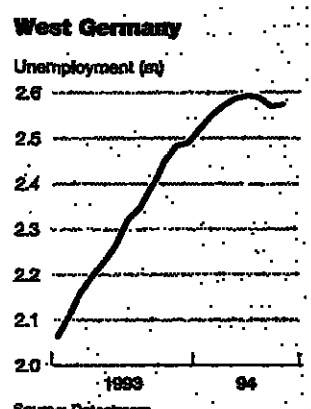
The Bonn government's election campaign was given a further lift yesterday by an upbeat assessment of employment prospects from the federal labour office.

Although the west German seasonally-adjusted jobless total rose last month for the first time since May, and the number of long-term unemployed reached a record high, a decline of 71,000 in the unadjusted figure for the whole country was welcomed as "most pleasing" by Mr Bernhard Jagoda, labour office president.

The seasonally-adjusted jobless total in the west rose 4,000 after falling 18,000 in July, while the unadjusted figure in the east (the only data published) fell 31,000. On the basis of unadjusted figures, the western unemployment rate fell from 8.3 to 8.2 per cent, while the eastern rate declined from 15.1 to 14.7 per cent.

However, the figures failed to support the German government bond market where yields on 10-year bonds rose to their highest level since September 1992. The yield on the benchmark "bund" rose by 10 basis points to 7½ per cent on fears that the 7½ per cent recovery in the German economy would prevent the Bundesbank from cutting interest rates further.

Mr Jagoda said the usual post-holiday fall in unemployment was far more marked than in earlier years, and the jobs market was responding



more quickly to the economic recovery than "experts" had forecast.

Labour office officials said their own budget estimate of 400,000 new benefit registrations this year was no longer valid, and expected further improvements as the year advanced. The present pan-German unemployment total is some 250,000 higher than a year ago.

August also saw a sharp fall in numbers working short-time and an increase in registered vacancies in both parts of the country.

However, Mr Jagoda said he was concerned that a third of those without work had been jobless for more than a year, and urged companies to take on more employees rather than pay for overtime.

Industrial order data for July, also published yesterday, showed the economy was still recovering, although at a more



Chancellor Helmut Kohl finds time to laugh yesterday during a noisy Bundestag session on the 1995 budget

modest pace than in recent months. Manufacturing orders increased by a provisional 0.7 per cent, following a revised 2.8 per cent rise in June. While domestic demand rose 1.3 per cent, foreign bookings slipped by 1.2 per cent. However, overall orders were still 8 per cent higher than in July last year.

The bond market is expect-

ing confirmation of the speed of Germany's economic turnaround tomorrow when West German gross domestic product data for the second quarter is due to be published. Some analysts forecast a quarter-on-quarter expansion in excess of 1 per cent, which would bring the yearly growth rate to close to 2 per cent.

Rome split opens up on proposed corruption laws

By Robert Graham in Rome

Proposals by the Milan judiciary to introduce new laws to cope with corruption are causing serious divisions within Italy's right-wing coalition government.

Yesterday Mr Giuliano Ferrara, the government spokesman and minister in charge of relations with parliament, dismissed the action of the Milan judiciary as an unconstitutional interference in the role of the legislature.

This brought an immediate reply from Mr Roberto Maroni, the interior minister. He claimed Milan magistrates had every right to contribute to solving a delicate national problem.

Mr Ferrara, he claimed with some irony, was speaking as government spokesman but not for the government which had yet to pronounce on the matter.

Later, Mr Silvio Berlusconi, the prime minister, weighed in to prevent the matter getting out of hand. He said he understood the motives prompting the anti-corruption magistrates in Milan to suggest new laws; but he shared the reserves of several of his colleagues over the judiciary's direct involvement in politics.

The proposals were advanced by Mr Antonio Di Pietro, Milan's best known anti-corruption magistrate, with the backing of his colleagues at an annual meeting of businessmen over the weekend.

The suggestions centre on providing greater incentives,

through plea-bargaining, for people to confess to corruption. The incentives are counter-balanced by stiffer penalties to deter people from being involved in corruption.

The immediate reaction among politicians appeared to be one of relief.

Finding a solution to the problem of apparently endless prosecutions for corruption has been a most sensitive issue for more than a year. All attempts have foundered over public unease that the politicians were being too lenient to their colleagues, businessmen and civil servants under investigation. The Milan judiciary has also exercised an effective veto over any legislation it did not endorse. The move seems to be a neat way of sidestepping these hurdles.

The approach was welcomed by the populist Northern League and the neo-fascist MSI/National Alliance, two components of the coalition. Mr Berlusconi's Forza Italia was also supportive. The magistrates' supporters underestimated the strength of those who felt the move overstepped the institutional role of the judiciary. Mr Ferrara said: "The Milan public prosecutors' office cannot become an agency for making laws. The Milan magistrature has enormous merit but this should not permit its members to exceed their role."

The government is unlikely to take a formal position until the judiciary presents its proposals to the government.

Editorial comment, Page 15

Treuhand sale clears way for big energy plans

By Judy Dempsey in Berlin

The ground has been laid for a massive investment programme in the energy sector after the Treuhand privatisation agency yesterday completed the sale of the region's electricity sector and the biggest brown coal fields.

After four years of negotiations, the Treuhand sold Veag, the former east German electricity monopoly, to a west German energy consortium led by RWE Energie, the country's

largest utility, and which includes Bayernwerk and PreussenElektra. At the same time, the agency sold Laubag, the giant coalfields which straddle the state of Brandenburg to a consortium headed by Rheinbraun, the brown coal subsidiary of RWE. Laubag will supply Veag with coal.

Under the terms of the agreement, the RWE consortium will pay DM8bn (\$5.1bn) for Veag and invest DM23.3bn (\$15bn) until 2012 during which time it will reduce the current work force from 12,700 to 6,700.

Before German unification, Veag employed more than 29,000 people. The investments will be targeted on upgrading existing power stations, installing strict environmental controls, and building six 800MW power plants in eastern Germany.

The Rheinbraun consortium, which paid DM2.1bn for the Laubag fields, has agreed to invest DM5bn until 2015, reducing in the meantime the current workforce from 12,000 to 8,000. Annual brown coal production will range between

50m and 55m tonnes. Until 1989, Laubag was producing about 300m tonnes a year.

The two contracts, signed just weeks before the federal elections, and five days before the state elections in Brandenburg and Saxony, means that the brown coal industry in eastern Germany will be saved. However, the privatisation of Veag had provoked a bitter dispute between east German cities which had opposed the sale to the west German utilities on the grounds that it would create a monopolistic

structure in the region's energy sector.

The Stromertrag, or electricity contract of August 1990 between the former East and West German governments, stipulated that the regional utilities in eastern Germany would have to buy 70 per cent of their power from Veag over the next 20 years. Despite arguments by the European Union that this contract would extend west Germany's monopolistic energy structure to the east, Bonn was determined to implement the

Stromertrag to secure a future for brown coal.

However, the RWE and Rheinbraun consortium face a fundamental shift in energy consumption demands in eastern Germany. The collapse of the region's manufacturing base has already led to a fall in brown coal's share of the primary energy market from 62 per cent in 1989 to about 40 per cent, while natural gas, which enjoyed only a 10 per cent share is expected to increase to about 23 per cent by the end of this decade.

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Russia will seek \$4bn more from IMF

John Lloyd reviews Moscow's preparations for the next stage of economic reform

The Russian government is to push for a further loan of \$4bn from the International Monetary Fund to support the stabilisation of its economy. It argues that its success in bringing down inflation and curtailing the budget deficit this year entitles it to move to the next stage of reform.

This initiative, now being discussed intensively within the government, is planned to be launched at the IMF's Madrid summit next month by Mr Victor Chernomyrdin, the prime minister, and Mr Alexander Shokhin, the deputy prime minister for the economy. They will also ask for a 10-year programme of debt repayments to be agreed with the London and Paris clubs of

creditors - a normal consequence of an agreement on a stand-by loan.

Government officials and advisers will meet senior IMF officials in Moscow this week in a round of talks aimed at determining Russia's readiness for the next stage of economic reform. "It's at a critical moment; a breakthrough moment," said one senior western official concerned with Russian reform. "The government must avoid any temptation to go for a quick fix. It must be careful not to fritter away the gains it has made but which could so easily be lost."

The IMF mission will examine the performance of the economy and especially the government's plans for next

year's budget - due to be presented to the duma (lower house of parliament) later this month. On the results of that examination will depend the disbursement of the \$4bn, together with other western aid promised but not to be paid until certain criteria are met.

The budget outline calls for inflation to be reduced to 5 per cent a month in the middle of next year and to 2.5 per cent a month by the year's end. Duma members, who passed the 1994 budget with a minimum of debate, are unlikely to be as accommodating this time and a bruising encounter is expected.

The IMF's main concern is that the government has succeeded in observing the tight guidelines agreed five months

ago - after the Fund paid out a \$1.5bn loan - only by cutting necessary expenditure and issuing promissory notes. However, as western officials admit, the Fund and the Group of Seven leading industrial countries face a hard choice between insisting on tighter financial discipline and continuing to support reform, even if it is off track.

A senior finance ministry official said yesterday that "the government has complied with the [IMF] programme, and it is the first time it has done so". He said that fears of a new explosion of inflation following the extra credits agreed for agriculture and other sectors last month would not be followed by further loosening of

financial discipline later this year. Instead, credits would be "rained down once more".

There are now some clear signs of improvement in the economy, including figures showing that the service sector has leapt ahead, accounting for a larger share of gross domestic product than industrial output for the first time since the early Soviet period.

But mushrooming debts among enterprises and lack of industrial restructuring are causing real worry among both Russian and foreign officials - though Mr Chernomyrdin has promised the issue will not be solved, as it has in the past, by bailing out the nominally bankrupt corporations with more credits.

EUROPEAN NEWS DIGEST

Saint Gobain chief indicted

Mr Jean-Louis Beffa, head of the Saint Gobain glass group, was yesterday indicted by a magistrate inquiring into allegations that Pont-à-Mousson, a pipe-making subsidiary, paid a FF4.4m (\$530,000) commission in 1988 to a Nantes politician to obtain a water contract there. Saint Gobain said the investigating magistrate, Mr Renaud van Ruymbeke, questioned Mr Beffa for five hours yesterday. "Considering that he had not got certain information from subsidiaries in 'the Nantes affair', Mr Ruymbeke thought it necessary to put the president of the group under investigation," the company said. For more than a year Mr Ruymbeke has been trying to track the commission which is said to have reached a Republican party councillor in Nantes via the Swiss bank account of a local industrialist. He has also tried to establish whether any of the money ended up with Mr Gérard Longuet, the trade and industry minister who presides over the Republican party. On the Paris stock exchange, where the indictment was announced only moments before yesterday's close, Saint-Gobain shares plummeted 23 francs, or 4.2 per cent, to 638 francs a share. David Buchan, Paris.

Unions defeat Finnish move

Finland's centre-right government has averted a threatened large-scale strike by withdrawing budget proposals for 1995 that angered the trade unions. The coalition, facing parliamentary elections next March, decided not to propose a reduction in jobless benefits and the ending of tax deductibility of union dues. Announcing the changes only a few hours before the draft budget was given to parliament, Mr Esko Aho, prime minister, said the proposals - which would have raised about FMS50m (€70.5m) - would be replaced by other measures and that the budget deficit would not grow. The budget sets spending at FMI195.6bn, with net borrowing at FMI1bn, including extra funds for Finland's prospective membership of the European Union on January 1. Following the government's move, the executive of the L1m-member Central Organisation of Finnish Trade Unions said it would recommend the strike threat be withdrawn. Reuter, Helsinki.

'Decisive phase' in Bosnia

The Bosnian peace talks are reaching a "decisive phase", Mr Klaus Kinkel, Germany's foreign minister, said yesterday after the "contact group" comprising Russian, French, German, British and US officials held a special meeting in Berlin. Mr Kinkel said the contact group, led yesterday by the heads of the political directorates, must find a way to "bring the Bosnian Serbs on board" and accept the peace plan already agreed by the Bosnian Croats and Muslims. He said time was running out as Washington was considering lifting the arms embargo, and there was pressure from Russia to lift sanctions imposed on Serbia now that President Slobodan Milosevic had apparently severed economic ties with the Bosnian Serbs. Mr Kinkel added that he remained disappointed that Mr Milosevic had still not agreed to allow United Nations observers to monitor the border between Serbia and eastern Bosnia. Judy Dempsey, Berlin.

Portuguese bank move

Portugal's central bank said yesterday it would lower the compulsory cash reserve requirement for banks from 17 per cent of customer liabilities to 2 per cent from November 1. The high reserve requirement was introduced in the 1980s as a means of draining liquidity from the banking system and holding down inflation. The reduction will equalise Portuguese banks with their European Union counterparts. But existing reserves, estimated at E2,300bn (€3.9bn), will be converted into special bonds with maturities of 2-13 years to prevent money markets being swamped by newly released funds. Bankers said the immediate effect would be neutral in terms of both remuneration and costs, but banks would be able to employ their funds more profitably over the medium term as the bonds matured. Banks will also be able to use the bonds as contributions to a deposit guarantee fund to be set up by the end of 1994. Peter Wise, Lisbon.

Slovak state sales hitch

The Slovak government has postponed final decisions on a range of privatisation proposals, involving state property worth up to Kcs250bn (€5.15bn), originally due to be considered by yesterday. The government is now expected to study the proposals over the next three weeks, before a general election on September 30 and October 1. About a quarter of the proposals involve privatisation through vouchers. Some projects have already been approved, and the government has said it is committed to pushing through as much of the programme as possible before the election. Vincent Boland, Prague.

Eurofighter report 'misleading'

Mr Volker Rühle, German defence minister, yesterday told the parliamentary defence committee that a report by the federal audit court which alleged overspending on the four-nation European fighter was "completely misleading" and insisted that the project was on course. The audit report has said the fighter is likely to cost DM150m (€22m) a piece, a figure which Mr Rühle rejected. The defence ministry said it was still working to reduce the unit price of the Eurofighter from DM134m, in line with a 1992 agreement between the defence ministers of Germany, Britain, Italy and Spain. German industry most recently said the aircraft could be built for about DM103m, Mr Rühle said. The opposition Social Democratic party has repeatedly said it will withdraw from the project if it wins the October elections but some observers are doubtful about the party's pledge because of the number of jobs at stake. Michael Lindemann, Bonn.

Tirana verdict today

Relations between Greece and Albania will be tested today when a court in Tirana passes sentence on five Albanian ethnic Greeks who are accused of spying for Athens. The trial threatens to trigger a crisis between the two countries. Athens accuses the authorities in Tirana of fabricating the charges in order to intimidate Albania's Greek minority. Since the trial began on August 15, the Greek government has deported some 40,000 illegal Albanian immigrants and blocked European Union financial aid to Albania. Greece has warned that further measures will be taken if the men are found guilty. All five defendants are members of the Omonia political movement which campaigns for Greek minority rights in Albania. Diplomatic efforts to ease tensions between the two countries appear to have failed. A US envoy, Mr Richard Shifter, was sent to Tirana and Athens by President Bill Clinton over the weekend to urge conciliation and encourage the Albanian authorities to drop the case. James Whittington, Tirana.

EU in talks with Africans

The first European Union ministerial meeting with the 11 member states of the Southern African Development Community (SADC) ended yesterday in Berlin with broad agreement to set up working groups to promote closer trade, political, regional and economic contacts. However, Mr Festus Mogae, SADC chairman, said it was crucial that the EU decide whether it would support South Africa membership of the Lomé Convention, which gives the other SADC countries duty-free access to the Union. Mr Manuel Marin, the Spanish EU commissioner, said the Union wanted to conclude a co-operation agreement with South Africa, but he admitted that there were "problems about whether South Africa would be linked to Lomé". Mr Kaïre Mbemende, SADC's executive secretary, said: "South Africa is rich... But South Africa is one of us. It has joined SADC on equal terms. We want South Africa to have relations with the EU. But that should not disqualify it from joining Lomé or its integration into the Southern African states." Judy Dempsey, Berlin.

Spain moves

Cardoso's by minister

Spain seeks liberal moves by Cubans

By Tom Burns in Madrid

The Spanish government hopes that Mr Roberto Robaina, Cuba's foreign minister, will announce a set of deregulation measures for the domestic economy during a six-day visit to Spain from today.

Officials are hoping that, in what would be a significant shift towards a market economy in Cuba, the minister will give a timetable for the removal of curbs on self-employment in Cuba, with an undertaking to close state-owned industries which are no longer viable.

Failure by Mr Robaina to do so could prompt Madrid to rethink its open-door policy towards Cuba.

Employment deregulation is one of several policies that has been pressed on the Cuban government by Mr Carlos Solchaga, Spanish former finance minister, who has visited Havana twice in the past year after an agreement by Mr

Felipe González, Spain's prime minister, to provide President Fidel Castro with a senior economic counsellor.

Mr Solchaga, whose representatives have held working sessions in Havana between his trips, has consistently told the Cubans that their critical financial troubles owe far more to their state-controlled economy than to the US economic embargo, which Spain has always opposed.

When it set up Mr Solchaga's mission, Madrid believed a comprehensive package of economic reforms in Cuba would lead to a transition to political pluralism. Cuba is the main recipient of Spanish aid in Latin America, in direct subsidies and export credits. Recent Spanish investment, chiefly in tourism, is estimated at some \$200m (£125m).

Even so, the former minister's recommendations have been largely ignored and the Spanish government, wary of accusations that it is legitimis-

ing Mr Castro's government, now wants to relinquish its advisory role in favour of a panel of experts from the Inter-American Development Bank, the International Monetary Fund and the World Bank.

Mr Javier Solana, the Spanish foreign minister, who met Mr Castro in early August and will hold talks with Mr Robaina today, has hardened Spain's diplomatic language, saying that economic liberalisation alone is insufficient and the Cuban government must take "urgent" and "rapid" steps towards democracy.

Reuter adds in London: The UK government, welcoming recent changes in the Cuban economy, said yesterday it was sending a minister to Havana for the first time in 19 years.

Mr Ian Taylor, trade and technology minister, will make a three-day visit to the island from Monday, with a group of British businessmen. In an attempt to increase UK-Cuban trade.

US Congress draft legislation faces logjam

By George Graham in Washington

Powerful industry lobbies in the US, from banks to telephone companies, are anxiously waiting for Congress to return to Washington next week, in order to see which of a wide array of bills will make their way through the legislative mill before members go home again for the elections on November 3.

A broad legislative agenda has been held up by the cumbersome wrangling over healthcare reform legislation,

A wide array of bills has been held up by the cumbersome wrangling over healthcare reform legislation and partisan bickering over the crime bill

which in turn was slowed down, before Congress broke for a summer recess two weeks ago, by partisan bickering over the crime bill.

The crime bill has now been passed, and aides in Congress are now assuming that healthcare reform, if passed at all, will be a more modest package of incremental measures than the monumental overhaul originally proposed by President Bill Clinton.

But the health debate is still likely to take much of the time remaining to Congress, and it is still not clear which other bills will reach the calendar for final votes.

Perhaps the closest to passage is the inter-state banking bill, which would allow banks for the first time to open branches freely outside their home states. Once inter-state banking had broken free of a long row over whether banks could sell insurance, it seemed to have a clear run. But the conference to reconcile the versions passed by the House of Representatives and the Senate

has become embroiled in a battle of Texan ego, with Senator Phil Gramm objecting to a minor provision included by Congressman Henry Gonzalez.

Telecommunications reform has further to go before passage. The House has passed a bill setting out the timetable and conditions for the Bell regional telephone companies to expand from local telephone service, to which they are now limited by a court anti-trust order, into long-distance, cable television and telephone equipment manufacturing.

A similar bill has been drafted by the Senate commerce committee but has not reached the Senate floor. Rancorous battles are expected there over issues such as restrictions on the Bells' entry to the cable market. One potential deal-breaker is a requirement that, if the Bells enter manufacturing, they do so in the US and use mostly US-made components, a measure which, the administration has warned, would conflict with the US obligations under Gatt.

Reform of the Superfund law on the clean-up of hazardous waste sites also faces several hurdles before passage. Everyone agrees that reform is needed, but much disagreement remains over whether the specific changes proposed, would be effective, which are intended to reduce the amount of litigation over who should pay for clean-ups, would make things better or worse. While the House Ways and Means committee reached a compromise last month over a crucial tax on insurers to pay for past clean-ups, the Senate finance committee has yet to tackle the issue.

Also pending are bills to reform campaign finance laws, overhaul the 1872 law on mining in government lands in the West, and revisions to the Clean Water Act. In addition, ten of the 13 appropriations bills, which in theory must be completed before September 30 if the government departments they cover are not to lose their spending power, have still to be wrapped up.

Shock waves spread among the powerful

Damian Fraser charts the troubles arising in Mexico from the Carlos Cabal affair



Pedro Aspe: his ministry has taken over banks

The decision by the Mexican government to order the arrest of Mr Carlos Cabal Peniche, and take over the country's seventh and eleventh largest banks, has sent shock waves through the country's business and financial community.

Mr Cabal is one of the country's most prominent businessmen and, apart from controlling an important financial group, owns by far the largest agro-business in Mexico. He has powerful friends in the Mexican government, and the move against him is expected to embarrass those who actively backed him, lent him money, and gave him authorisation to run not one but two banks.

A government official said the finance ministry suspects three cases of illegal loans, ranging from \$200m (£125m) to as much as \$700m, paid from Mr Cabal's banks to his private business interests, mainly involving the purchase of Banca Cremi.

However, the official did not exclude the possibility of more cases when a thorough audit was completed.

The government moved against Mr Cabal in part to prevent his imminent purchase of Del Monte Foods, according to the official, with concerns that the near-\$1bn transaction would be financed illegally.

Mr Cabal had intended to re-merge Del Monte Foods with Del Monte Fresh Produce, which he and a group of investors bought for about \$500m in 1992.

Del Monte Fresh lost money last year, partly because of low international banana prices. The finance ministry says it may claim the assets of Del Monte Fresh if the company turns out to have benefited illegally from its relationship with Banco Unión and Banca Cremi.

The adequacy of Mexico's financial supervision is expected to come under scrutiny, following the charges against Mr Cabal.

The finance ministry gave

Mr Cabal authorisation to buy Unión (then called BCH) in 1991, citing his "administrative experience and integrity." It gave him permission to take over Cremi and, earlier this year, to merge the two banks.

Separately, Nafinsa, the state development bank, financed 25 per cent of Mr Cabal's acquisition of Del Monte Fresh. Mr Cabal's investor group includes current or former governors in the Mexican states of Campeche, Tabasco and Quintana Roo.

The deals were approved despite the fact that Eastbrook, the former US trading house, has alleged in a civil suit that Mr Cabal and two former employees of Eastbrook directed more than \$70m of loans to Mr Cabal's personal bank account or to shell companies between 1986 and 1991. Eastbrook claims just \$30m was paid back.

These financial dealings with Eastbrook, were being investigated until earlier this year by the US district attorney's office in Manhattan. Mr Cabal's lawyer has denied that he was the target of an investigation by the attorney's office.

The Cabal case follows a

fraud of more \$100m alleged to have been perpetrated by top executives at Grupo Financiero Havre, who are alleged to have created shell companies to borrow money from Nafinsa.

With Mexico's banks already suffering from high rates of default on their loans, and from intense competition, the latest allegations come at a difficult moment for the financial system.

Officials strongly denied that the Cabal case would have any effect on the Mexican banking system. They said all of Mexico's banks have now been audited over the past eight months and that the only ones with suspected serious irregularities were Unión and Cremi. They said that problems at other banks - of a different magnitude - had been sorted out.

Morgan Stanley, the US investment bank, advised Mr Cabal in his planned acquisition of Del Monte Foods. Salomon Brothers was to have managed an issuance of \$100m of high-yield debt on behalf of Mr Cabal, which was registered on August 23 with the US Securities and Exchange Commission.

Cardoso's lead undented by minister's departure

By Angus Foster in São Paulo

Mr Fernando Henrique Cardoso, front-runner for Brazil's presidential election next month, seems to have kept his lead in opinion polls despite the resignation at the weekend of Mr Rubens Ricupero as finance minister.

According to a poll on Monday, the day after Mr Ricupero stepped down, Mr Cardoso's support slipped from 45 per cent a week ago to 44 per cent, within the margin of error. His main opponent, Mr Luis Inácio Lula da Silva of the left-wing Workers' Party, remained steady at 23 per cent.

The São Paulo stock market took heart from the poll, and was up 3.58 per cent at noon yesterday, following Monday's heavy selling.

Mr Ricupero resigned after a private conversation was broadcast on satellite TV. Dur-

ing that, he admitted the government was backing Mr Cardoso and using its anti-inflation plan to win him votes.

Mr Cardoso has since been heavily attacked by other candidates who have called such government support unfair and questioned the ethics of his campaign.

The poll, conducted by the Datafolha institute among 10,532 electors, showed Mr Cardoso's support still solid among poorer, less-educated voters. However, it also gave some hope to Mr da Silva. Among wealthier voters, Mr Cardoso's support fell by five percentage points to 47 per cent. Mr da Silva's backing among these increased by four points to 26 per cent. Mr Cardoso's support also fell in metropolitan areas and in Brazil's more prosperous south.

Mr da Silva's advisers hope this trend will continue as

more people become aware of Mr Ricupero's resignation and the reasons for it.

The poll showed Mr Cardoso apt to win the election outright on October 3 because his support still outstrips the combined support of his rivals. However, the poll suggested that, if a run-off between the two top candidates were needed on November 15, Mr Cardoso would gather 57 per cent support, Mr da Silva 30 per cent.

Mr Cardoso's campaign organisers will also have been pleased to see that support for the anti-inflation plan, and its chief component, the Real currency, has continued to rise and now stands at 80 per cent. The candidate, when finance minister earlier this year, was responsible for negotiating the plan through Congress and his lead in the polls is largely due to the plan's popularity.

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FARNBOROUGH AIR SHOW

Iata warns Asia on airports congestion

By Paul Betts, Aerospace Correspondent, at Farnborough

The International Air Transport Association (Iata), the airline industry trade organisation grouping more than 200 airlines, yesterday urged Asian-Pacific countries to convene a summit of transport ministers to address the urgent issue of growing congestion at airports throughout the region.

Inadequate ground and air traffic control infrastructure in Europe provoked a crisis in European air transport a few years ago. There was now a risk that a similar crisis could occur in the fast growing Asian-Pacific aviation market, warned Mr Pierre Jeannot, the Iata director-general, at the Farnborough Air Show in southern England.

Air traffic is continuing to grow faster in the Asia-Pacific region than in any other market, Iata as well as the leading aircraft manufacturers, Boeing

and Airbus, are forecasting annual air traffic growth averaging around 7 per cent over the next few years in the region, compared with overall world traffic growth of 5 per cent in the same period.

Infrastructure both on the ground and the air was coming under "heavy strain" in some areas of the Asia-Pacific region, Mr Jeannot said. Although a number of new airports were now opening in the area, he said these investments were already insufficient to cope with the expected growth of air travel in the region.

Although Europe had started to address the problem of congestion, more efforts were also needed to harmonise and modernise European air traffic control systems. At the same time, Europe needed more airport infrastructure to cope with an expected increase in European air passenger numbers from 394m this year to 653m by the turn of the century and as many as 1bn by 2010, Mr Jeannot said. In the longer term,

Europe would have to adopt a satellite-based air traffic control management system which would be able to deliver double the capacity and drastically reduce the existing costs of the current European system.

Mr Jeannot also attacked government taxation policies on air transport, and especially the introduction in November of an airport departure tax in the UK.

"This passenger duty will raise £325m for the UK Treasury. Taxes simply increase airline costs at a time when consumers are demanding lower fares," Mr Jeannot said.

The new UK airport tax was also attacked yesterday by Sir Colin Marshall, the British Airways chairman, who argued it would distort competition because it did not apply to other forms of transport including road, bus, rail and eventually Channel Tunnel high-speed trains services which will be competing directly against airline services.

BAe-Matra missile divisions nearer to merger deal

By Bernard Gray at Farnborough

Matra, the French missile group, said yesterday that it expected negotiations with British Aerospace over the merger of their missile interests to be completed by the end of this year. Mr Noel Forgeard, head of Matra Defence and Space, said that such deals were a practical way for the European defence industry to respond positively to the consolidation of US companies.

Speaking at the Farnborough Air Show, Mr Forgeard said that all operational and strategic issues had been resolved. However, he added that several technical problems remained, including those over differing accounting standards.

It is thought that BAe and Matra have agreed to form a 50-50 joint venture of missile operations. However, as Matra's order book is larger than BAe's, the British company will have to pay to gain an equal shareholding in the joint company. Strong disagreements over the size of the payments are also thought to be blocking the deal, which has been under discussion for the past 18 months.

Mr Forgeard said that unlike some defence industry leaders he thought that Europe had to respond to the consolidation and cost reduction currently going on in the US industry, but that Europeans also had to be realistic and accept that there were greater barriers to consolidation in Europe.

Companies should accept that pooling interests into joint ventures, as with BAe-Matra, was a sensible next step, and that greater efforts had to be made to cut costs. Speaking at Farnborough, Mr Forgeard attacked Sweden's recent decision to buy medium-range air-to-air missiles from Hughes of the US rather than Matra. He contradicted official Swedish reports which said that the French missiles were less capable and more expensive than the US alternative.

US and Japan struggle to escape the import impasse

By Michio Nakamoto in Tokyo

A 70.3 per cent rise in Japanese vehicle imports last month should bring some cheer to US trade representative Mickey Kantor and Japanese trade minister Ryutaro Hashimoto as they meet in Washington today for critical talks on the bilateral framework negotiations.

The Japan Automobile Importers Association yesterday said total vehicle imports were 23,391 last month. Of these 21,297 imported cars accounted for 10.7 per cent of Japan's overall car sales. Imported vehicle sales for the year are expected to reach 250,000, compared with 201,480 last year.

Ford, arguably the most aggressive exporter, though not the biggest, more than doubled its exports from America last August to 903, while Chrysler achieved a 72 per cent gain from a year earlier to 1,007. The reversal in Ford's fortunes in Japan is precisely the kind of change which the framework talks were designed to bring about.

But there is little hope in Japan that these changes will help to break the impasse in the trade talks by inspiring the US to soften its demands that Tokyo commit itself to ensuring greater foreign imports in certain priority markets.

"There is a recognition in both the US and Japan that the framework talks are the most important in managing the US-Japan relationship. Nevertheless they have dragged on because of US insistence on a results-oriented approach to which Japan cannot agree," says a Japanese foreign ministry official.

Ever since the two countries



On defensive: Japanese trade minister Mr Ryutaro Hashimoto

agreed to launch the talks, the issue over what the Japanese government will or will not do to help foreign imports penetrate Japan's markets has been the central stumbling block to an agreement aimed at removing a particularly prickly thorn in bilateral relations.

As the fourth Japanese trade minister since the talks began meets his US counterpart, the issue of whether Tokyo will ensure a significant increase in imports of foreign products and services ranging from cars and flat glass to insurance, and in government procurement of medical and telecoms equipment remains a formidable barrier to an agreement.

"The position of both sides is so far apart," concedes an official

at Japan's Ministry of International Trade and Industry.

Both sides have agreed that no specific deadline for conclusion of the talks should be set, but on September 30 the US is committed to deciding whether or not to name Japan as an unfair trade partner and start sanctions procedures under the Super 301 trade bill. A US decision against Japan could, in a worst case scenario, lead Japan to break off the talks, Japanese officials have said.

Such an outcome would have serious repercussions on the foreign exchange markets which have severely punished the US dollar on any sign of bilateral discord on trade.

"If there is a real collapse in

the talks, I think there will be a sharp rise of the yen," says Mr Takanobu Igarashi, market economist at Sanwa Bank. "If it is clear there is no road to agreement, the yen, currently around Y99 to the dollar, could strengthen to Y96," he says.

Neither would a discouraging outcome of this week's meetings do much political good for a hard-pressed President Clinton or for the shaky coalition government of Japan's Prime Minister, Mr Tomiichi Murayama.

The optimistic view is that given the risks involved, both sides will work at all costs to avoid a further rift in relations. Japanese authorities hope the US will agree to work out a partial deal that will at least enable the two to avoid a showdown and continue negotiating in areas where significant differences remain, notably cars and car parts.

Agreement could be reached on insurance and government procurement, which would send a positive signal to the rest of the world.

"It is difficult to expect a comprehensive agreement but the impact on world markets is so huge that we cannot afford a collapse," says a MITI official.

But on the vital issue of government procurement, the main point that precludes agreement is again whether or not Tokyo will commit itself to a "significant increase" in foreign penetration or whether it will be allowed to get away with a promise of "change".

The danger is that, given the incentive to reach some kind of agreement and avoid a further fall-out, the issue will be resolved by simply fudging the wording so that each side can read the agreement in a way that suits their purposes.

ATR commuter aircraft attract \$100m of orders

By Paul Betts

The Franco-Italian ATR consortium, Europe's leading manufacturer of turbo-prop commuter aircraft, yesterday announced new orders worth more than \$100m for its ATR42 and ATR72 aircraft.

The orders include two ATR72 aircraft worth around \$26m, from the rapidly expanding London-Gatwick based airline Cityflyer Express, a UK regional carrier operating under the British Airways name under a franchising agreement with BA.

CSA, the Czech airline, also ordered two smaller ATR42 aircraft worth around \$22m, while Avianova, an Alitalia subsidiary, placed firm orders for three ATR72s and options for an additional four aircraft, worth a total of around \$90m. The ATR consortium, which is jointly owned by Aerospaiale

of France and Alenia of Italy, says the Italian orders confirmed the boom in regional air transport currently taking place in Italy. The UK Cityflyer order is the first by a UK carrier for the 66-seat ATR72 aircraft. The two aircraft will be delivered in the ivory of BA Express.

Franchising is a growing trend in the European airline industry, with small regional carriers associating themselves with the marketing power and brand of large flag carriers to compete in the liberalised single European airline market.

Cityflyer, which already operates five smaller ATR42 aircraft, plans to use its new ATR72s on the London-Gatwick to Dublin routes as well as on its London-Gatwick routes to Düsseldorf, Jersey and Rotterdam. ATR officials also confirmed

yesterday that the group was involved in talks to rationalise a European turbo-prop aircraft industry suffering from intense over capacity.

Aerospaiale, the French ATR partner, has been in negotiations with British Aerospace over the possibility of creating a joint venture grouping ATR with BAe's jetstream turbo-prop operation.

Aerospaiale also believes that ATR, which currently has a share of around 53 per cent of the world's turbo-prop market, could become the focus of a broad rationalisation of the European turbo-prop industry, grouping not only BAe's operations but eventually other European producers. Virgin Atlantic Airways is set to add two Airbus A340 long-range, wide-bodied aircraft to its fleet as part of its renewal and expansion programme.

US super-salesmanship discounts human rights

By Tony Walker in Beijing and Nancy Dunne in Washington

When the dust settled on last week's whirlwind business mission to China led by Mr Ron Brown, the US commerce secretary, it was clear that a fractious Sino-US relationship had been jolted in new directions far removed from the human rights preoccupations of the early days of the Clinton administration.

While critics looked askance on Mr Brown's old-fashioned cheer-leading on behalf of American companies, the US official was seen to have a "new era" in Sino-US relations. "Commercial diplomacy" would now be paramount in guiding a difficult relationship. After fiddling over China policy for its first year, the administration appears to have decided that, in spite of its misgivings about human rights abuses, it would have to compete more aggressively with its competitors in Europe and Asia for a share of the world's fastest growing market.

How far Washington's emphasis on super-salesmanship will prove compatible with other objectives in its relations with Beijing remains to be seen.

At one point in a speech organised by the US-China Business Council, Mr Brown sounded more like a football coach than a government official. "We intend to compete in this market, and we intend to win," he said to applause from hundreds of American businessmen, including the chief executive officers of 25 large corporations. Some of these corporations heads had signed deals with the Chinese contributing to a \$8bn package of contracts and memoranda of understanding concluded during the Brown visit.

It is hard to imagine a Republican administration embracing with greater enthusiasm commercial possibilities in China. Mr Clinton, who had accused Mr George Bush of "coddling dictators" in Beijing, has clearly undergone something of a change of heart since heady days on the presidential campaign trail.

BROWN'S BOOTY: the main deals in china



US Secretary of Commerce Ron Brown

Company	Venture	Amount
Wing Group	LNG-fuelled power plant: joint venture	\$ 2,200m
AES Corp	Power generation: joint venture	\$ 1,500m
Entergy Corp/ Lippo Group	Power plant extension: memorandum of understanding	\$ 1,000m
AT&T	Telecommunications: contract	\$ 500m
Westinghouse	Power turbines and other equipment: contract	\$ 450m
General Electric	Power plant extension: joint venture	\$ 220m
TRW Inc	Television de-scramblers: contract	\$ 100m
TRW Inc	Engine valves: memorandum of understanding	n/a
IBM Inc	Data network: joint venture	\$ 20m
Pitney Bowes	Postal equipment: contract	\$ 20m
Sprint	Information systems: contract	\$ 2m

Source: FT

In Hong Kong, Mr Robin Munro of Human Rights Watch/Asia said the Brown mission "vividly symbolises the drastic downplaying of human rights issues in US foreign policy. Basically, China has won hands down on human rights."

But defenders of the Clinton administration's new approach to China say that critics have misconstrued the purpose of the Brown mission, and misrepresented American policy. They note that during the presidential campaign, Mr Clinton undertook to place commercial issues at the centre of foreign policy concerns. This approach had yielded

the successful completion of negotiations on the North American Free Trade Agreement (Nafta), and the Uruguay Round which had cleared the way for the establishment of the World Trade Organisation, the successor to the General Agreement on Tariffs and Trade.

The Clinton administration had been edging away from the crude weapon of Most Favoured Nation privileged trade access to the American market ever since a review of China policy in the second half of last year resolved to "halt the downward spiral" of Sino-US relations. The disastrous visit to China in March of Mr

Warren Christopher, the US secretary of state - China marked the occasion by harassing dissidents - added further impetus to moves within the administration to "de-link" human rights from annual MFN renewal.

Mr Clinton's announcement on May 27 that he was renewing MFN more or less unconditionally - token sanctions were retained - was the culmination of the policy review begun in the middle of last year.

But administration officials insist that in spite of charges that the administration has "flip-flopped" in its China policy, there remains ample scope for tough and principled stand on trade and other issues, including human rights.

These officials note that China and the US, whose trade reached \$39.3bn last year, are locked in difficult discussions on a range of questions. These include intellectual property rights (IPR) infringements, arguments over such issues as the transfer of missile technology, textile quotas; imports of agricultural products; access to China for service organisations such as banks; and Gatt.

Washington announced in June that China had been placed on "priority watch" for six months under special 301 congressional legislation over continuing IPR abuses. US officials in Beijing say that while China has armed itself with the necessary rules and regulations to deal with infringements, enforcement is lax.

But in the end the real test of US resolve in its dealings with China will come in negotiations on Beijing's application to re-join the Gatt. The US has been the harbinger of a tough stance on conditions for China's Gatt entry, arguing that a fast-growing economic power should be obliged to pay a substantial price for admission.

US negotiators insist that China be obliged to accord the same market access privileges to its fellow Gatt members as those it will receive itself. Beijing is arguing, however, that because China is a developing country it should be granted special privileges for a lengthy transition phase.

Part of the problem relates to the desire to be fair to small economies. The report chooses to define competitiveness as "the ability of a country or a company to, proportionally, generate more wealth than competitors in world markets."

By basing the definition on the idea of global rivalry, the implication is that countries become a bigger "threat" the higher their position. The rankings show East Asia already a competitive force to be reckoned with and the emergence of a "second wave" of competitors from Latin America.

At an individual level, however, the 1994 scoreboards produces some odd results. For instance, Colombia (30th) is considered more competitive than Italy (32nd), even though Italy is a Group of Seven member with the world's fifth largest economy and many companies of world renown.

Other problems arise with the choice of the 381 criteria, availability of comparable information and the way data are combined to produce the overall rankings.

What does it mean when business executives classify people in their country as "lacking energy and enthusiasm" or "having a positive attitude to life"? Interestingly, the most "positive" nations turn out to be Hong Kong, Korea, Singapore, Ireland and Malaysia, with Colombia in 8th place.

The most lacking in energy and enthusiasm among the 41 countries rated are, from bottom, the Czech Republic, Hungary, South Africa, Poland and Venezuela. Britain ranks 35th.

Discussing the implications for changing competitiveness in a global economy, the report is in two minds. Prof Stephane Garelli, director of the World Competitiveness Project, warns that market opening will tempt many industries to relocate in countries with low-cost labour. Industrialised nations employ 350m people at an average hourly wage of \$18, he says. But industry has access to huge new markets such as

Australia and Japan will push for a free trade pledge at the next summit of the Asian Pacific Economic Co-operation Forum in Indonesia in November, writes William Dawkins in Tokyo.

Mr Paul Keating, the Australian prime minister, said yesterday at the end of a four-day visit to Japan, Australia's largest trade partner, that he thought Japan wanted "to see a commitment to trade liberalisation in the region".

Mr Keating's announcement came after talks with Mr Tomiichi Murayama, his Japanese counterpart. The Australian leader gave firm backing for Japan's attempt to become a permanent member of the UN security council.

In return, Mr Murayama promised Australia that it would not be excluded from any trade accord between Tokyo and Washington, believed to be the first such guarantee from a Japanese prime minister, said Australian officials.

Part of the problem relates to the desire to be fair to small economies. The report chooses to define competitiveness as "the ability of a country or a company to, proportionally, generate more wealth than competitors in world markets."

The suspicion of bid-rigging also coincides with recent US interest in winning more business stemming from Japanese overseas development aid, the largest in the world.

Last year, Japan's ODA

topped the international aid league for the third consecutive year at \$11.3bn, followed by the US with \$8bn.

Of that amount, approximately \$8bn was bilateral aid to specific countries, as opposed to aid given to multi-lateral organisations.

Of Japan's bilateral aid, 83 per cent is untied and bids are open to foreign as well as Japanese companies. Most untied aid comprises yen loans which are directed towards large infrastructural projects such as the construction of dams.

The latest allegation of cartel activity involves the remaining 17 per cent of tied aid, about \$20bn, which is grant-in-aid. For reasons of convenience, bidding for projects carried out on untied aid is open only to Japanese companies, mainly because the time span for conducting the bid and completing the project is usually restricted to one year.

Companies involved yesterday expressed surprise at the FTC investigation. "We don't know what it is about so we can't have any comment," a Mitsubishi representative said.

Lean and mean, but is it fair?

Frances Williams questions a world competitiveness rankings report

Competitiveness: a 'fascinating and puzzling' ranking

The world competitiveness rankings represent a bold if not necessarily accurate stab at identifying what makes an economy successful.

This year for the first time, the compilers of the annual World Competitiveness Report¹, the International Institute for Management Development (IIMD) in Lausanne and the Geneva-based World Economic Forum, have produced a consolidated ranking of 23 rich and 18 poor nations. It has proved both fascinating and puzzling.

It may come as no great surprise to see the US displace Japan as the world's most competitive economy. But does it really make sense to rank Singapore, with a population of less than 3m, above economic heavyweights such as Japan or Germany?

Part of the problem relates to the desire to be fair to small economies. The report chooses to define competitiveness as "the ability of a country or a company to, proportionally, generate more wealth than competitors in world markets."

By basing the definition on the idea of global rivalry, the implication is that countries become a bigger "threat" the higher their position. The rankings show East Asia already a competitive force to be reckoned with and the emergence of a "second wave" of competitors from Latin America.

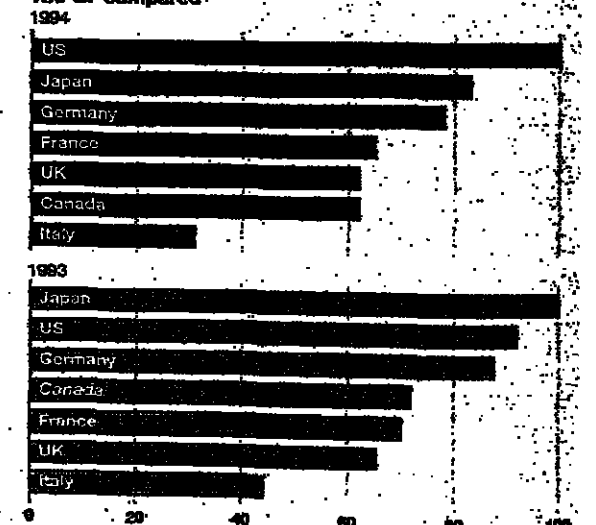
At an individual level, however, the 1994 scoreboards produces some odd results. For instance, Colombia (30th) is considered more competitive than Italy (32nd), even though Italy is a Group of Seven member with the world's fifth largest economy and many companies of world renown.

World standing 1994

1. USA	23. Chile
2. Singapore	24. Thailand
3. Japan	25. Korea
4. Hong Kong	26. Spain
5. Germany	27. Mexico
6. Switzerland	28. Argentina
7. Denmark	29. Portugal
8. Netherlands	30. Turkey
9. New Zealand	31. Colombia
10. Sweden	32. Indonesia
11. Norway	33. Brazil
12. Austria	34. Philippines
13. Belgium	35. India
14. UK	36. South Africa
15. Ireland	37. Czech Republic
16. Canada	38. Greece
17. Australia	39. Russia
18. Taiwan	40. Hungary
19. Finland	41. Venezuela
20. Poland	42. Poland
21. Slovakia	43. Slovakia

Source: World Competitiveness Report, International Institute for Management Development

The G7 compared



Source: World Competitiveness Report, International Institute for Management Development

Arguably, the rankings are too dependent on short-term factors - for instance, the country's position in the economic cycle - and on the inevitably impressionistic results of an international survey of business executives which accounts for a third of the data used. (Only 2,851 questionnaires were returned out of 16,500).

The US ascendancy over Japan largely reflects its early economic recovery while Japan has yet to emerge from its deepest recession in decades.

Other problems arise with the choice of the 381 criteria, availability of comparable information and the way data are combined to produce the overall rankings.

What does it mean when business executives classify people in their country as "lacking energy and enthusiasm" or "having a positive attitude to life"? Interestingly, the most "positive" nations turn out to be Hong Kong, Korea, Singapore, Ireland and Malaysia, with Colombia in 8th place.

The most lacking in energy and enthusiasm among the 41 countries rated are, from bottom, the Czech Republic, Hungary, South Africa, Poland and Venezuela. Britain ranks 35th. Discussing the implications for changing competitiveness in a global economy, the report is in two minds. Prof Stephane Garelli, director of the World Competitiveness Project, warns that market opening will tempt many industries to relocate in countries with low-cost labour. Industrialised nations employ 350m people at an average hourly wage of \$18, he says. But industry has access to huge new markets such as

World Competitiveness Report 1994. Available from IIMD, CH-1007, Lausanne, fax 41 21 618 0707, \$19.000.

Lacklustre recovery under way in Japan

By William Dawkins in Tokyo

A lacklustre economic recovery is under way in Japan, hampered by a weak job market and a continued decline in corporate investment, the Japanese central bank reported yesterday.

Businesses are slightly more confident than they expected to be last spring, stocks of unsold inventories are falling, and companies are finding it easier to borrow money, the Bank of Japan's latest Tankan quarterly survey of business conditions reveals.

The survey "shows economic recovery quite clearly," said Mr Yasushi Mieno, central bank governor. But Mr Kagehide Kaku, head of the central bank's research and statistics department, added: "This backs our judgment that the economy is heading to recovery, but falls short of brushing out economic fragility."

The lacklustre upturn depicted by the most authoritative indicator of Japan's short-term economic outlook is expected to lessen the central bank's inclination to tighten monetary policy, motivated by its fear of repeating the runaway rise in asset prices that foreshadowed the recession. Government bond prices strengthened in response.

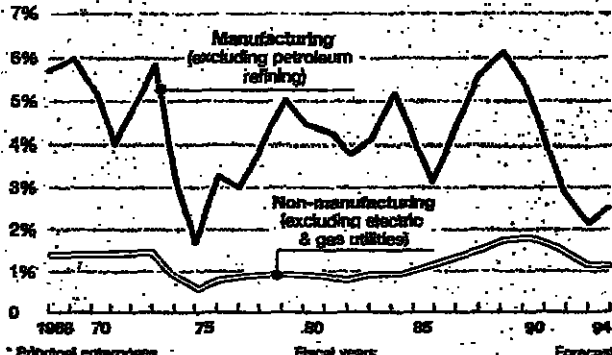
It fuelled speculation in Tokyo that the government's Economic Planning Agency would declare an official end to the three-year recession when it publishes its monthly economic report on Friday.

The Tankan index of big manufacturers' business confidence improved from -50 in the previous review in May, to -39 in August. The index records

Japan

Current profit to sales ratios

Source: Bank of Japan



the change in the balance of companies citing a better and worse business outlook, from a sample of 10,000 businesses.

It continues the improvement shown in the previous survey in May, the first upturn in confidence recorded by the Tankan for five years. This suggests the recession touched bottom for the survey in the final quarter of last year.

The balance of businesses reporting excessive inventories fell from 23 in May to 17 in August, while the ratio of those reporting that banks' lending stance was getting easier rose from 17 to 19 over the same period.

But the balance of companies with surplus employees remains high at 25, compared with 26 in May. Another disappointment is that leading companies plan to cut capital investment by 3.8 per cent this year, only slightly less than the 3.7 per cent reduction forecast in May. Small businesses are even more cautious, forecasting a 14.3 per cent

investment fall this year.

The recovery will be fragile and uneven, according to yesterday's review. Manufacturers expect a sharp profits rise this year, led by exports to the recovering economies of the US and Europe and helped by a moderate rise in domestic demand. But poorly-competitive service companies think profits will fall again, squeezed by increased competition.

For large manufacturers, that means a forecast 16.1 per cent rise in profits this year, better than the 14.9 per cent expected in the previous survey, and a sharp turnaround from their 26.3 per cent profits decline last year. They forecast a small rise in sales this year, 0.3 per cent, reflecting a fall in prices.

Large service companies believe profits will fall 5.1 per cent this year, slightly worse than the 5 per cent decline they were expecting in May and much worse than the 17.9 per cent earnings decline they recorded in 1993.

HK airport 'not ready for 1997'

The Hong Kong government yesterday admitted for the first time that the colony's multi-billion dollar airport would not be fully operational by the time British rule comes to an end in mid-1997, Simon Holberton reports from Hong Kong.

Mr Hank Townsend, chief executive of the Provisional

Airport Authority, the government corporation responsible for the building of the airport, said contracts to build the terminal building and services would not be finished until mid-way through 1997.

Award of these contracts, which have a combined value of about HK\$2bn (\$270m), was

taken a step closer on Monday when the FAA said 16 international consortia of construction companies had qualified to bid.

China appears to have balked at a UK request to approve financial agreements between the Hong Kong government and the FAA and the Mass Transit Railway.

China wrings 'water' from statistics

By Tony Walker in Beijing

There are lies, damned lies and, it seems, Chinese statistics.

The China Information newspaper has reported that in 1993 alone there were 60,000 cases of "false statistics" reports in 30 provinces, regions and cities.

A recent statistics supervision conference held in Qingdao, south-east of Beijing, was told there was "a lot of water" in industrial output reports, that birth statistics were frequently understated and grain stockpiles were often exaggerated. In an effort to guard against false reporting, a 1994 "Statistics Law" is being strengthened to include penalties for falsifying records. Among the main culprits are government officials seeking to add lustre to their performances as local administrators.

Mr Li Gang, deputy director of the Policy and Law office of the State Statistical Bureau, said problems arose because "grassroots officials needed to fulfil production as well as birth control quotas in order to retain their positions or get promoted". "Serious cases are under investigation," he added. "Those who add 'water' to the statistics will be punished according to the law."

He said problems of false statistics had become more prevalent in this transition phase in the Chinese economy from a centrally-planned system to a market-oriented one. "When the (1994) law was being drafted there was basically only one economic structure in China. Today there are several economic systems."

But false and exaggerated statistics are nothing new in China. During the Great Leap Forward of the 1950s agri-

cultural production figures were wildly exaggerated to conform with overheated propaganda about the success of the communist system. In reality the Great Leap was a disaster and millions are believed to have starved to death as China's communist rulers were proclaiming the triumph of the system.

Western economists in Beijing say they approach Chinese statistics warily, but inflation figures appeared to be a reasonable reflection of price trends; although the "collection methods (of statistical information) is not what we would expect in the west," said one.

The Qingdao conference heard that the two worst-offending provinces were Hebei and Shanxi in the north where 20,000 cases of falsifying records had been uncovered in 1993. In one county in Hebei province the birth rate had been under-stated by half to avoid cen-

sure over the failure of local officials to curb population growth.

Among the most prevalent examples of false reporting in Hebei and Shanxi was an over-statement of per-capita income of peasants. This was to avoid revealing the extent of impoverishment and allied to that the failure of local officials to improve living standards.

In other areas, such as the wealthier coastal regions, peasant incomes were under-stated to minimise tax.

Speakers at the Qingdao conference criticised the present law which lacked "teeth" to punish violators; did not give representatives of the central State Statistical Bureau the automatic right to "audit" local statistics; and was inadequate for the requirements of a rapidly evolving market economy, especially in the monitoring of a fast-growing private sector.

Philippine energy chief quits

Mr Delfin Lazaro, Philippine energy secretary credited with resolving the country's chronic electricity shortages, has resigned, President Fidel Ramos said yesterday, Jose Galang writes from Manila.

The resignation, from September 20, came on the eve of Mr Ramos's trip to Europe and the public listing today of Petron Corporation, which Mr Lazaro had steered to privatisation.

Mr Ramos said Mr Lazaro was leaving "because he has done his job and has fulfilled his commitment". He is known to have offered to resign as early as last June, reportedly because of conflicts with other energy officials.

Mr Lazaro was given emergency powers in 1993 to tackle an energy crisis responsible for 10 to 12 hour daily rationing. Businesses losses ran to about 7bn pesos (\$172m) a month. With the aid of emergency powers granted by Congress, the government was able to skip bureaucratic tangles and gave priority to "fast-track" power stations.

Mr Lazaro will be replaced by Mr Francisco Viray, president of the state-run National Power Corporation, which owns most of the country's generating capacity.

Consensus near on abortion draft

By Mark Nicholson in Cairo

European and US delegates said last night they hoped to clinch by today an effective consensus on one of the most controversial passages on abortion in the draft document of the International Conference on Population and Development, despite sustained Vatican opposition.

Approval of the section, which urges governments to "deal openly and forthrightly with unsafe abortion as a major public health concern"

would be a victory for western and other participants at the conference, determined to win the broadest possible consensus behind its final document.

Many such representatives also believe the religious row over abortion which has dominated the meeting threatened to obscure the thrust of the document, which aims to provide a broad-based global programme for population stabilisation into the next century.

Mr Tony Baldry, British foreign office minister, said "very considerable progress is being made", on the text, adding that he believed the controversial language would win approval during last night's session. EU delegates said a version of the

text already contained in the draft, and which states that "in no case should abortion be promoted as a method of family planning" was winning "broad consensus".

Both Mr Baldry and Mr Timothy Wirth, US assistant undersecretary for global affairs, said progress had also been made in talks with Islamic and Roman Catholic countries in agreeing on language which had been interpreted as condoning homosexuality and advocating adolescent and extra-marital sex.

Passage of the contentious abortion text would, however, be only the first round in what most delegates believe will be tough negotiations in the next

few days. The Vatican yesterday issued a statement in which it repeated its absolute objection to abortion, saying that while it recognised many women suffered "difficulties" in pregnancies, "such difficulties do not warrant the violation to the right to life".

The Holy See "cannot give explicit or implicit support to those parts of the document regarding abortion," the statement said. Vatican delegates were yesterday busy on the floor of the main committee room rallying opposition to the text. "They were yanking out Catholic delegates and getting them in a corner - there was a lot of strong-arm tactics," said one African delegate.

Syria warns Israel over Golan

By Roger Matthews, Middle East Editor

Syria warned Israel yesterday that it was a waste of time to talk about a partial withdrawal from the occupied Golan Heights, and said no Middle East peace agreement would last unless it was fair, balanced and comprehensive.

Mr Farouq al-Shara, Syrian foreign minister, on an official visit to London, accused Israel of trying to gain as much as possible from the negotiations,

while seeking to deny Arab aspirations. "Such an unbalanced solution would not survive. It would be a truce, not a lasting peace," he said. Total Israeli withdrawal from the Golan area had to precede the normalisation of relations, he insisted. "You cannot have normal relations while your land is still occupied."

Israel has demanded Syria provide evidence of its pledge to establish full diplomatic relations before it would indicate how much of the Golan it

was willing to withdraw from. But Mr Shara warned that the longer it took Israel to pull out of the Golan, the longer would be the delay in establishing normal relations.

He hit out at Mr Yassir Arafat, Palestinian Liberation Organisation chairman, and King Hussein of Jordan for "killing" the joint Arab approach to peace negotiations by signing separate agreements with Israel. "King Hussein participated in killing the Arab co-ordination, but it was

Arafat's Oslo agreement which made him do it," Mr Shara said. Unless the West wanted a resumption of the civil war in Beirut there was no question of Lebanon signing a separate deal with Israel.

During talks with Mr Douglas Hurd, UK foreign secretary, Mr Shara appealed for an end to the European Union's arms embargo against Syria and for a more active European role in the peace process. Syria was still optimistic about an eventual agreement, he added.

Of course we are glad 28 million of you chose to fly with us this year. It must mean you like us.



Lufthansa

More than that, you trust us.

NEWS: UK

Poor car sales to private buyers deflate fears of inflationary consumer boom

Data signal investment upturn

By Gillian Tett and Kevin Done

The increasingly healthy nature of the UK economic recovery was highlighted yesterday, after official figures showed that manufacturing output rose to its highest level for almost four years in July.

With much of this growth coming from factories producing raw materials for industry and goods for investment, the data provided further hints that economic recovery is increasingly shifting away from consumer spending and towards a more investment driven upturn.

Meanwhile, in a development that suggested that there is little sign of an inflationary consumer boom in sight, industry

figures yesterday showed that car sales to private buyers were well below expectations in August.

Mr Eddie George, governor of the Bank of England, and Mr Kenneth Clarke, chancellor of the exchequer, will meet for their regular monthly monetary meeting today and are expected to discuss whether base rates should rise to curb inflationary pressures generated by this growth. But in spite of City assumptions that interest rates will rise this year, the recent benign economic data has left analysts increasingly doubtful that rates will change today.

The Central Statistical Office yesterday said that manufacturing output rose by a season-

ally adjusted 0.4 per cent in July, compared to June, and now stands only 2 per cent below its last peak in March 1990. Measured on a three monthly basis - a better guide to the trend - output rose 1.3 per cent in the three months to July, compared to the previous three months. This yesterday led the CSO to revise its trend estimate for the annual growth rate to 5 per cent, up from the 4.5 per cent growth previously estimated.

However, the level of overall industrial production, which also includes the utilities and energy sectors, remained unchanged in June compared to July. The reason for this was that manufacturing growth was offset by a fall in

North Sea production due to maintenance work, according to the CSO.

The Treasury yesterday welcomed the data and noted that whereas the consumer sector had previously provided much of the economic growth, the investment and raw materials sectors were now outpacing the consumer industries.

Investment goods output grew 0.7 per cent in the three months to July, compared to the previous three months, with a strong performance from the electronics sector. The output of the intermediate goods sector, which provides fuel and materials for industry, grew 2.7 per cent in this period. Consumer industries' output, however, grew by only 0.4 per

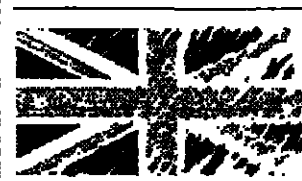
cent, with falls recorded in cars and clothing.

This weaker performance was echoed yesterday by figures that showed that new UK car registrations in August, the most important new car sales month of the year, rose by only 2.8 per cent year-on-year to 452,566.

The total was well below earlier motor industry forecasts for registrations of 476,000 to 500,000. By contrast registrations of new commercial vehicles rose last month by 19.9 per cent year-on-year.

"The underlying confidence of many private customers remains fragile," said Mr Ernie Thompson, chief executive of the Society of Motor Manufacturers and Traders.

Britain in brief



Exchange draft on new share market

The London Stock Exchange yesterday took a step back from its most radical ideas on trading in small company shares when it published a consultative document on the new lightly regulated market.

An early draft of the exchange's proposals were to "strip back" regulation, but it has concluded that companies should provide interim financial results as a requirement of a quotation on the planned Alternative Investment Market.

The draft had argued for waiving this obligation but the exchange judged that the cost of compliance for companies was outweighed by the extra security provided to investors and the need to boost liquidity.

"One of the things that most daunts a market is no information," Mr Michael Lawrence, chief executive of the exchange, said yesterday. "We need periodic information. I am afraid that we are going to require interim results."

Greenpeace in 'poor taste'

The Advertising Standards Authority, the advertising watchdog, in a ruling published today, has accused Greenpeace, the environment group, of "gross oversimplification" and "poor taste" in an anti-nuclear power advertisement which appeared in some national newspapers earlier this year.

The Greenpeace advertisement featured a photograph of a baby with an enlarged head captioned "Kazakhstan nuclear test victim". The text claimed that radiation-linked diseases in children "have already been seen near to nuclear installations such as Sellafield" and that "2,000 will die because of the radioactive discharges from Sellafield over the next 10 years".

The ASA ruled that there was no proof the baby pictured in the advertisement was a nuclear test victim, and that the figure of 2,000 deaths had not been substantiated. It also ruled that it was "unfounded" to describe the nuclear industry as "intent on spreading radiation and the means of mass destruction around the globe".

Greenpeace said it stood by the advertisement. Its campaign had been vindicated because the main complaint on the link between nuclear power and childhood diseases had not been upheld, the group added.

Home banking 'not welcome'

Consumers show a marked lack of enthusiasm for technological developments such as home banking, and appear to prefer conventional banking methods, according to a survey published yesterday.

Within the general level of caution, there was greater interest in technological services from the under-35 age group.

The poll by Mori for computer company ICL, suggests that whatever the investment by retail financial institutions in technological advances, many customers do not see themselves taking advantage of new

developments, and a significant minority scarcely use some of the common facilities already available.

For example, three-quarters of those questioned said they would not use a home banking service if it was available. One-third of respondents said they had never used a cashpoint machine, while only about half used them regularly.

By contrast, two-thirds said they regularly visited their bank or building society branch other than to use a cash dispenser.

Motorola to expand

Motorola, the US electronics group, said it would invest £250m in expanding its semiconductor plant at East Kilbride near Glasgow to meet increasingly heavy demand for its products.

The expansion will be the



third and by far the biggest the company has made at East Kilbride in the past three years. In 1992 it announced a £40m expansion project and followed it last year with a £50m expansion which was opened yesterday by Mr Ian Lang, Scottish secretary.

The new project involves building another 35,000 sq ft of factory space in addition to the existing 400,000 sq ft, and adding 350 people to the plant's payroll of 2,300. The new building will begin manufacturing late next year and be in volume production in 1996.

Motorola's expansion at East Kilbride is in response to growing demand for microcontrollers and digital signals products.

The new facility, Motorola says, will enable the plant to produce the most powerful silicon wafers in Europe and among the most powerful in the world. It will add triple layer metal semiconductor products to the double layer metal products it already makes and increase the plant's potential to produce advanced 32 bit microprocessor products.

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Nuclear fuel start-up sought

Nuclear Electric, the state-owned generator, is expected to apply within two weeks for permission to load the first uranium fuel into Sizewell B, Britain's first pressurised water reactor power station.

Staff from the Nuclear Installations Inspectorate, who are scrutinising safety systems on the Suffolk site, are expected to give the go ahead for fuel loading subject to satisfactory completion of

outstanding work. Sizewell B, which has been built within its £2.03bn budget, was expected to begin generating electricity during the summer. But the complexity of the commissioning process and delay in obtaining authorisation to discharge radioactivity into the environment means the plant is unlikely to be started up before December.

Birch calls for regulator

There should be a single regulator for both building societies and banks, Mr Peter Birch, chief executive of Abbey National, the home loans and banking group, said.

Addressing a seminar organised by the Chartered Institute of Bankers, Mr Birch said that despite the differences in ways of operation he believed it would make sense for the two sorts of organisation to be regulated by a single body.

This might mean the Building Societies Commission becoming part of the supervisory department of the Bank of England.

"The question of regulation is set to arise as a result of the consultation document which the government is due to publish later this month on the future of societies. The Treasury itself, however, is likely to address the point only obliquely, and may argue that changes in societies' powers and duties does not necessarily imply a change of regulator."

Reform urged on damages

Changes in the law to make it easier to pay damages in instalments to victims of personal injury are recommended in a report published yesterday by the Law Commission.

The commission, which advises the government on law reform, says that changes are needed which would allow insurers to pay annuities to make the payments direct to the victim tax free. Many victims of accidents prefer the payment of some or all of the damages they are awarded in instalments. These structured settlements often involve a lump sum, with payments for the rest of their lives.

The commission says that regular payments offer victims greater certainty about their financial future than a single lump sum. They can also be tailored to the victim's needs, with variations in the amounts to reflect changes in need such as education costs and extra care in old age.

London bus sell-offs

The privatisation of the London bus network took a step forward yesterday with the sale of two more of the larger companies, East London and Belsize, to Stagecoach Holdings for a total of £24m.

This brings the number of bus companies sold to three with a further seven still remaining to be sold. CentreWest was sold to its management for just over £25m last week.

Another two bus companies are expected to be sold off later this month and London Buses expects to complete the sale of all its operations by the end of the year. The sales are expected to be roughly equally to management teams and trade buyers.

The purchases by Stagecoach represent its first move into London and will give the Perth-based company a total share of about 11.5 per cent of the UK bus market. Stagecoach has already bought companies in Kent, Tyne-side and Scotland over the past 18 months.

Asthma seen as danger in workplace

By GIVE COOKSON, Science Editor

Asthma is an increasingly serious occupational illness, with more than 1,000 workers developing the disease every year in Britain, scientists from the Health and Safety Executive told the British Association meeting.

The HSE unveiled a twofold strategy for fighting occupational asthma: new guidance for employers to control "sensitisers" that cause the disease, coupled with research to develop tests for quick diagnosis of asthma in the workplace.

Dr Andrew Curran, a senior HSE scientist, said exposure to sensitisers at work was causing asthma in increasing numbers of people who had never suffered from the disease in childhood.

Asthma results from a combination of genetic susceptibility and environmental exposure. For reasons that scientists do not understand, it is becoming more common among the general population as well as in the workplace.

"Occupational asthma doesn't just cause a bit of a wheeze and a cough," Dr Curran said. "It can be completely debilitating, causing a significant reduction in the quality of life in those who suffer from it, and in extreme cases it has been known to cause death."

Two hundred different substances are known to cause occupational asthma. They fall into two broad categories, according to Dr Curran.

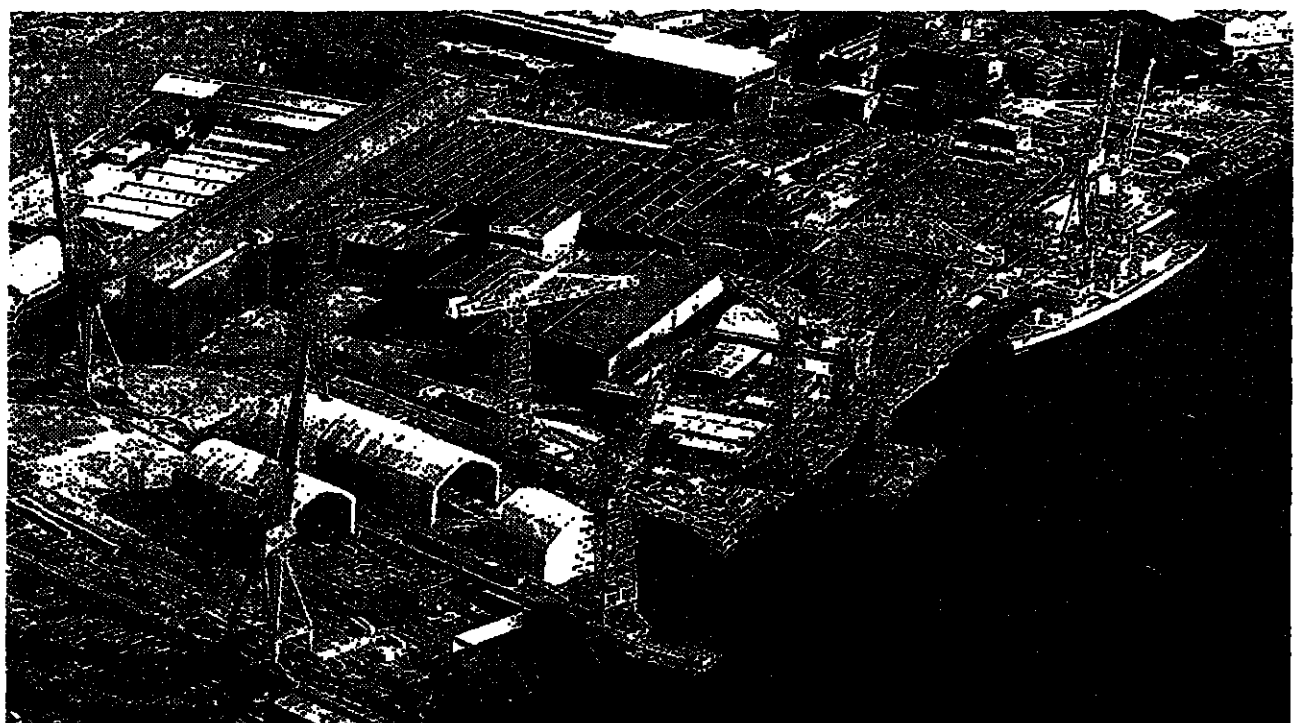
One type of sensitizer consists of large molecules and organic dust particles. Workers in food processing and farming are particularly vulnerable to these.

The second category of sensitizer consists of small chemical molecules. These include isocyanates used in spray paints, acid anhydrides used by the electronics industry in curing epoxy resins and fumes from soldering.

● A new type of microscope, which can not only "see" individual atoms but also manipulate them, could have immense applications in making electronic circuits on the smallest scale possible.

Dr Bernard Richardson, a physicist at the University of Wales, Cardiff, told the British Association that scanning tunnelling microscopy enabled scientists "to home in and pick up individual atoms."

The electronics industry is experimenting with writing circuits by STM. That could produce silicon chips with lines 10 times thinner than those made with today's technology.



Swan Hunter on the Tyne, with just one ship docked for work, was once at the centre of the world's busiest shipbuilding community.

Private sector warning on profits from public projects

By Andrew Taylor, Construction Correspondent

Rates of return on privately financed infrastructure projects will need to be 10-15 per cent if schemes are to proceed, the government was warned yesterday by one of Britain's biggest construction companies.

Mr Joe Dwyer, chief executive of Wimpey, said that the expectations of potential investors of a reasonable rate of return remained higher than that of ministers.

"The gap between us has narrowed but it needs to be closed further if investors are to be persuaded to support these projects," said Mr Dwyer.

Contractors such as Wimpey have taken the lead in bidding

individually and forming consortia to tender bids for privately financed roads, railways, hospitals, prisons and student accommodation.

Mr Dwyer said: "In spite of a lot of activity very few schemes have started. We need some positive examples if investors are to be persuaded that the rewards will be worth the risk."

Investors would expect higher internal rates of return than the 3 or 4 per cent expected by utilities.

"There is a lot of risk involved if contractors and investors are to be expected to take on the liability for the cost of a prison riot when they might have no control on what prisoners they took," said Mr Dwyer.

He expected that the first privately financed schemes to go ahead would be smaller projects, such as prisons and hospitals rather than very large road and rail schemes.

Large transport schemes often involved complex planning and political issues which made them difficult to cost and involved higher risk for investors.

Wimpey however is bidding for four privately financed road schemes, costing a total of £300m announced last month.

Mr Dwyer said: "It is clear that government, given the state of the public borrowing requirement, has no choice but to go down this route. What needs to be sorted out is what rate of return is reasonable for investors to expect."

Survival for Swans 'remote'

By Chris Tighe

The prospects of selling Swan Hunter, the Tyneside shipbuilder in receivership since May 1993, are now remote, receivers Price Waterhouse said yesterday.

Mr Gordon Horsfield, joint receiver, said there were at this stage no serious bidders; continuing expressions of interest had yet to turn into offers clearly backed by funds.

Price Waterhouse, he said, would now begin looking at offers received for parts of the business, in parallel with any approaches for the whole.

Following Monday's collapse of hopes of a sale to Constructions Mécaniques de Normandie, the receivers are now considering a CIM proposal to subcontract work for some weeks to Swans' design team.

It emerged yesterday that the Tyne and Wear Development Corporation, North and South Tyneside and Newcastle councils and private sector interests have formulated a fallback proposal, should no going concern sale be possible, to acquire Swans as a subsea oil and gas exploration and production base. The initiative, costing around £20m, would require central government support.

Organisation Management and Survey, the engineering consultancy, also confirmed it was interested in buying Swans as a going concern and was putting together a financial package. It would hope to find merchant shipbuilding work for the yard from Greece and the US.

TUC moves towards European style code for rights at work

By David Goodhart, Labour Editor

The European Court judgments in June requiring UK employers to consult with employee representatives on redundancies and business transfers, even where they do not recognise unions, could transform worker consultation in Britain according to a TUC legal judgment.

The judgment, from Professor Lord Wedderburn, states that companies will not be able to call up and then dissolve committees for consultation at

will. Such vehicles for consultation will require adequate resources and proper independence from the employer.

The government is currently wrestling with how to implement the European judgment with the least inconvenience to business. A decision is expected within the next few months.

The Wedderburn analysis is included in an interim report which was yesterday strongly supported by the TUC, the umbrella organisation for trade unions, at its annual Congress in Blackpool.

The report takes another significant step towards TUC acceptance of continental European-style rights at work and works councils, but attempts to combine that with an important role for union organisation.

Mr Bill Morris, general secretary of the TGWU general union, introducing the interim report, said: "We cannot import a model from another country whose tradition of industrial relations is different from ours. Neither can we say they have nothing to teach us," he said.

First six months 1994

ING Group achieved handsome results for the first six months of 1994. Net profit increased by 18.8% to NLG 1,066 million (first six months 1993: NLG 897 million).

Net profit per ordinary share went up by 13.9% to NLG 4.11.

An interim dividend of NLG 1.75 per share will be made payable on 6 September 1994.

At the option of the shareholder this will be made available either in cash or in depositary receipts for ordinary shares in the ratio of one new depositary receipt for every 40 existing ones.

Total assets increased by 2.8% to NLG 348.8 billion in the first six months of 1994.

After the sharp increase by NLG 5.9 billion in 1993, shareholders' equity decreased from NLG 21.5 billion at the end of December 1993 to NLG 20.9 billion at the end of June 1994.

The Executive Board expects that net profit per share for the whole of 1994 will at least equal the 1993 level.

Amounts in Dutch guilders	First six months 1994	First six months 1993	% Change
(millions)			
Result before taxation	1,474	1,229	+ 19.9
Net profit	1,066	897	+ 18.8
(guilders)			
Net profit per share	4.11	3.61	+ 13.9
Interim dividend	1.75	1.60	+ 9.4
(billions)			
Total assets	348.8	339.4	+ 2.8
Investments	135.0	132.1	+ 2.2
Bank lending	147.7	144.9	+ 1.9
Group capital base	22.0	22.6	- 2.7
(guilders)			
Shareholders' equity per share	78.42	82.70	- 5.2

ING GROUP

The report for the first six months can be obtained at the following address:
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Market-Eye
LONDON STOCK EXCHANGE

1994 witnesses the birth of a new Group combining tradition, care, culture, and value – in fact, the best of Italy. The “Cirio” Group

is born – a Group built around the name of a great Italian entrepreneur with a constant commitment to quality.

The Group gathers together companies and brands as prestigious as Ala, Berna, Cirio, De Rica, Matese, Optimus, Polenghi, Solac, Stella and Torre in Pietra.

Each of these names has been contributing, over the years, to Italy's industrial and economic development. Each has built an international reputation by remaining true to their consumers and to a common cause: a love of the land and an infinite respect for its fruits. It is this cause, maintained and developed through the most advanced tech-

nology, that, beginning today, makes the “Cirio” Group a world-wide industrial and financial reality that Italians can be proud of.

And it's impossible not to be proud of “Mr. Cirio” who, so many years ago had the inspiration to protect high quality tomatoes in a

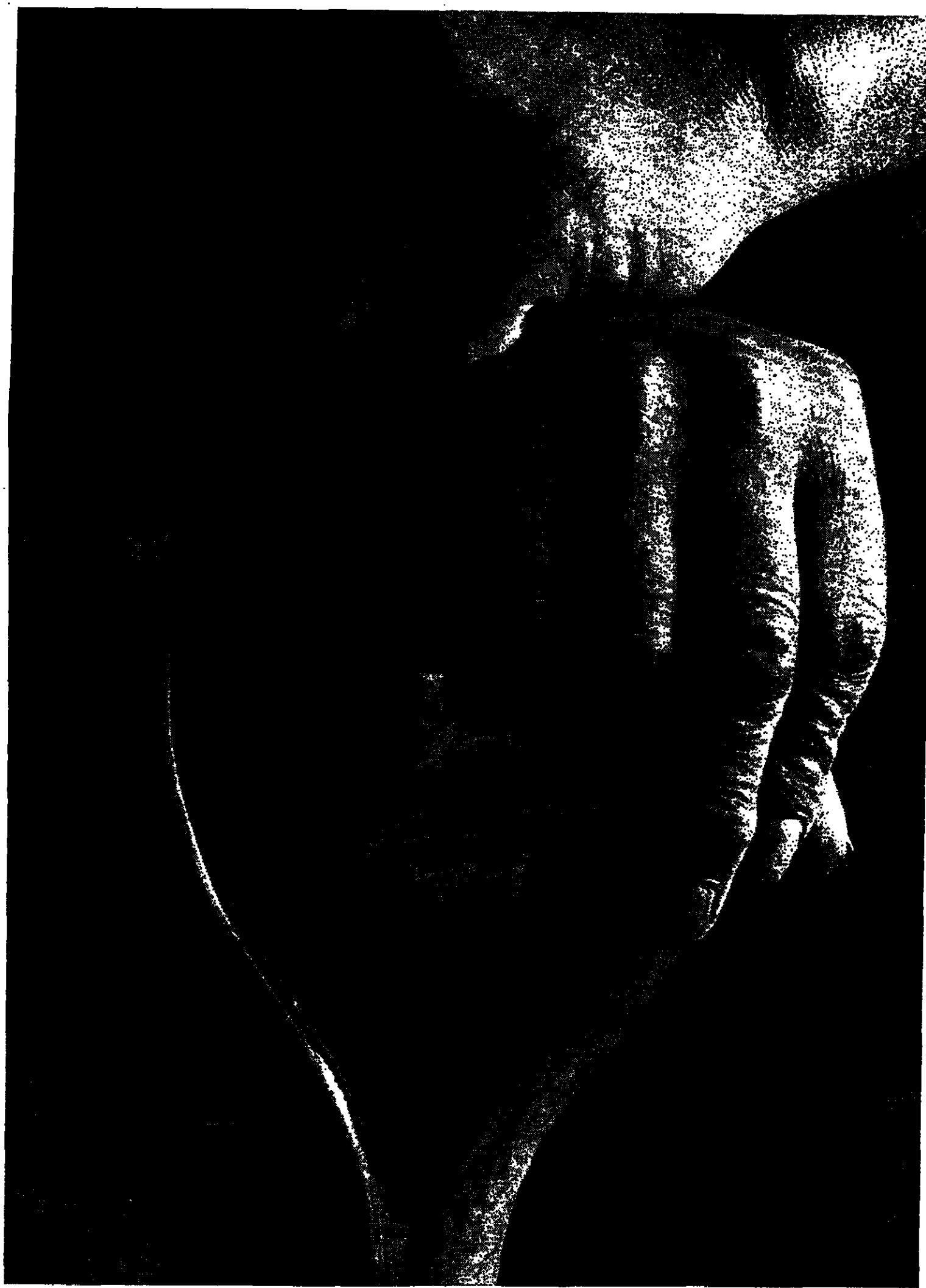
practical tin.

The same man who created a precedent in Italy by transferring production from north to south, demonstrating, through investment, the unity of the national territory.

We are also proud of “Mr. Polenghi”, who, all those years ago, rationalised milk production by introducing selection, quality control and hygiene, from cattle feeding to the milk preserving process. A demonstration, once again, of how industry and agriculture go hand in hand. It all started between 1860 and 1870. Since then, after endless technological and scientific advances, nothing has changed. We have retained the same devotion to food and the same creativity and dynamism. That's

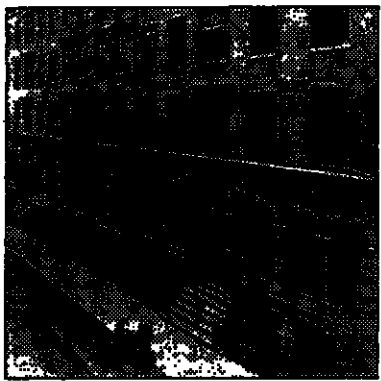
why we say with pride, that in the “Cirio” Group, it is not difficult to recognise a piece of Italy we love. It is a true Italian portrait.

Ritratto Italiano.



CIRIO
BIANCO, ROSSO E FUTURO.

The Cirio Group brands are: Ala, Berna, Cirio, De Rica, Matese, Optimus, Polenghi, Solac, Stella, Torre in Pietra.



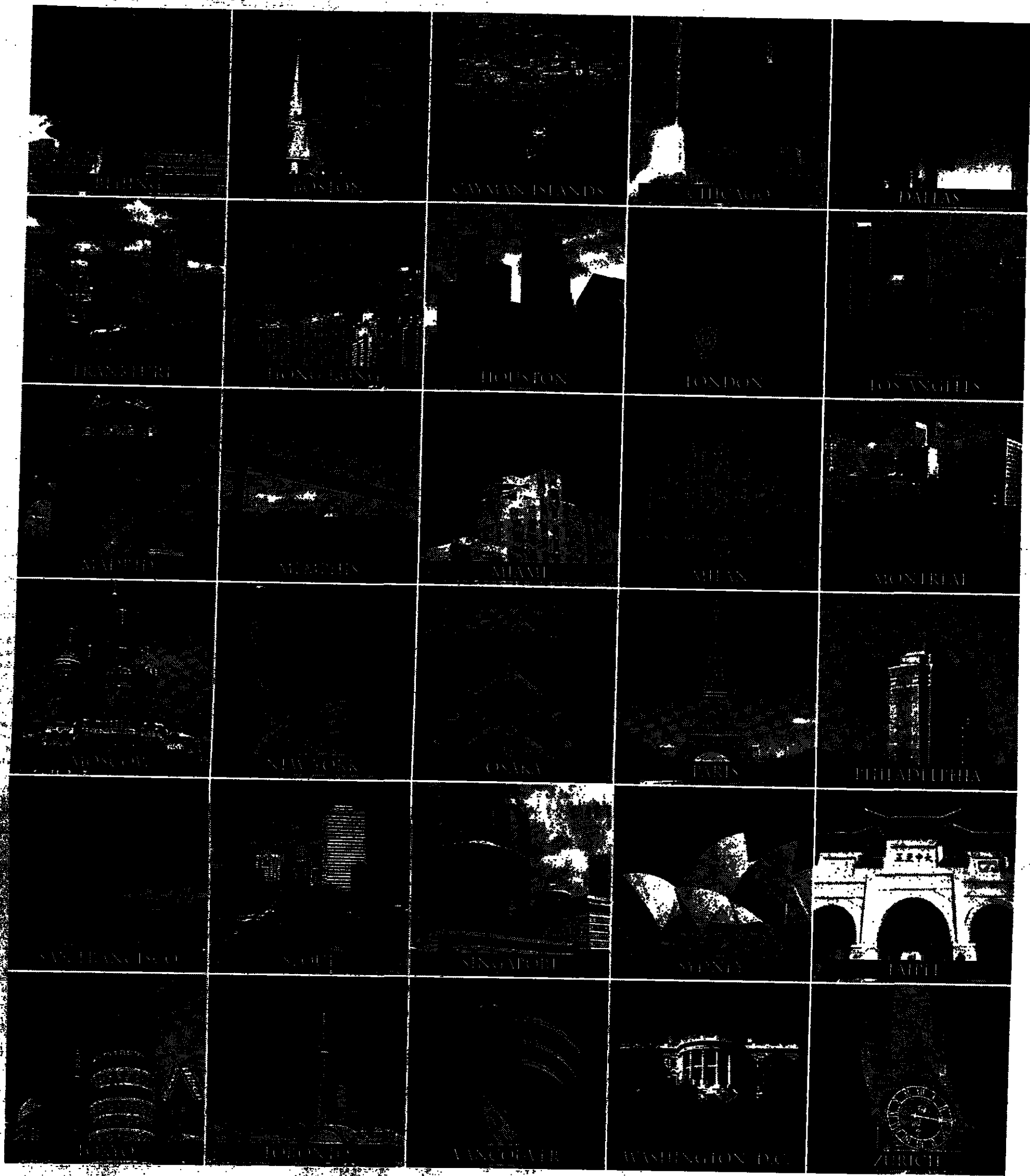
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ÇUKUROVA ELEKTRİK A.Ş.
BERKE DAM AND HYDROELECTRIC POWER PLANT PROJECT
CIVIL ENGINEERING WORKS - PHASE II
PROCUREMENT NOTICE

ÇUKUROVA ELEKTRİK A.Ş. (ÇEAS), constructs 510 MW Berke Dam and Hydroelectric Power Plant on Ceyhan River in southern Turkey. The project consists of a 201 meter high, double curvature, thin concrete arch dam; a 2057 meter long power tunnel, and an underground power station located at the downstream of the dam.

ÇEAS invites sealed bids from eligible bidders who shall offer bids in the currency of US dollar, with the bidding method of percentage reduction based on existing unit prices in the bidding documents, for the Civil Engineering Works - Phase II.

1. Civil Engineering Works - Phase II has been divided into 3 groups as indicated below.

Contract No. 11-A - This group consists of the arch dam, spillway dam, the intake structure and tunnels of spillway and the section of headrace tunnel up to the surge tank. The estimated cost of the works is 64.6 million USD and the bid security is 1 million USD for this group.

Contract No. 11-B - This group consists of the underground powerhouse, the surge tank, the shaft and tunnels of penstocks, and tailrace and all other tunnels related to the underground powerhouse, the outlet structure, the intermediate substation, hydromechanical equipment works; still lining of the penstock and the spillway tunnels; elevators, HVAC, grounding, lighting system, compressed air system etc. The estimated cost of the works is 30 million USD and the bid security is 400 thousand USD for this group.

Contract No. 11-C - Besides the consolidation and curtain grouting, this group consists of the arch dam, spillway dam, drilling of drainage wells of powerhouse and for consolidation grouting the necessary drilling and grouting works of all tunnels and galleries. The estimated cost of the works is 22.4 million USD and the bid security is 400 thousand USD for this group.

2. A complete set of bidding documents may be obtained from the address below beginning from September 8, 1994, upon the submission of a written application to the below address, and upon payment of non-refundable fee of USD 200 (two hundred).

ÇUKUROVA ELEKTRİK A.Ş. SEYHAN BARAJI P.K. 238 91322 ADANA TÜRKİYE
 Tel: (322) 235 0681 (4 lines) Fax: (322) 235 0257

3. All bids must be delivered to the above office on or before 10.00 hours, local time on October 17, 1994 at the latest. The bids that have not been delivered until this date and any delay in mail shall not be accepted and will be returned to the Bidders unopened.

4. Bids will be opened in the presence of those Bidders' representatives, who choose to attend at 11.00 hours local time on October 17 1994 at the offices of the General Management of ÇUKUROVA ELEKTRİK A.Ş., Seyhan Barajı, Adana, TÜRKİYE.

5. The Bidders may bid for all the above Contracts and separately as well.

6. The advance payment shall be in an amount of 20% of the Contract price and shall be done in two stages.

7. The Bidders have to provide the requirements completely and within the procedure explained below. Otherwise, Bids which do not comply with any one of the following conditions shall be returned without opening their inner envelopes.

7.1 The applications of the Bidders and Joint-Ventures who have completed the following works and services during the last years will be considered.

7.1.1 Contract No. 11-A - For the arch dam and its appurtenant structures, the Contractors should have:

a) completed the construction of a dam

b) placed at least 150,000m³ of concrete in one contract

c) completed a tunnel of at least 5 meter in diameter and 500 meter in length

d) controlled deep foundation excavations in similar projects

e) completed civil engineering works worth about 50 million USD or more.

7.1.2 Contract No. 11-B - For the underground powerhouse and its appurtenant structures, the Contractors should have:

a) placed 50,000m³ of concrete in one Contract

b) used sliding form in concrete works

c) made steel linings of penstocks and concreted

d) constructed hydroelectric power plant having at least 80MW capacity

e) completed civil engineering works worth about 25 million USD or more

f) completed a tunnel of at least 4 meter in diameter and 300 meter in length

7.1.3 Contract No. 11-C - For the drilling and grouting works

a) The backgrounds to be submitted must include deep grout curtains (of 200 meter or more in depth), total curtain areas not less than 100,000 m² and experience in using the various grouts and additives for grouting in water or against running water. Firms shall also report, including supporting documents, for special products used or developed by them as well as certificates for successful completion of important grouting works issued by the Engineer or Clients.

b) Completion of grouting works worth approximately 5 million USD is a must.

7.2 The firms having the qualifications indicated above and capability to carry out the works may bid by forming a Joint-Venture. However, the conditions indicated in the typical Joint-Venture declaration (Volume 3.2 Section X) have to be provided. Local or foreign partners of the sponsor firm of the Joint-Venture have to be experienced on important work items and provide the required conditions.

The rates of participations in a Joint-Venture are limited as follows:

Sponsor firm: Min 25% - Max 75%

Partner(s): Min 25% - Max 75%

Any partner's participation in the Joint-Venture shall not exceed that of the sponsor and shall remain unchanged throughout the Contract.

Any firm is eligible to bid for post-qualification both individually and as the partner of a Joint-Venture but the submission or the participation of any firm in more than one bid will not be acceptable and any bids violating of this rule will be rejected. Bids submitted by a Joint-Venture must meet the following requirements:

- Each partner of the Joint-Venture must submit the complete documentation required from any firm bidding for individual post-qualification.

- The bid as well as (in case of an award) the resulting contract should be signed so as to be legally binding on all partners, jointly and severally.

- A Joint-Venture agreement providing the joint and several liability of all partners in respect to the contract should be submitted together with the Bid.

- The bid must include a description of the proposed participation and responsibilities of each partner of the Joint-Venture.

- The percentage participation in the Joint-Venture of each of its members (in the terms of the corresponding percentage of the value of the Contract) must not exceed each member's capacity in terms of each of the qualifying criteria.

8. It is essential that the bids shall be submitted together with the required information and documents for their financial, technical and production capabilities. The bids of those bidders, who do not comply with the conditions required in the bidding documents for the eligibility of the bidder or those bids which are not in conformity with the bidding documents, shall be rejected. The decision by ÇEAS, in relation to the evaluation, selection and signing of the Contract for the offers received, shall be final.

9. ÇEAS reserves the right to accept or to reject any bid and to annul the bidding process or to reject all bids, at any time prior to award of contract without thereby incurring any liability to the affected bidder(s) on any obligation, to inform or to compensate the affected bidder(s) of the grounds for the ÇEAS's action.

10. Any delay in mail or offers by telephone, telegram, telex or telefax shall not be accepted.

ÇUKUROVA ELEKTRİK A.Ş.
 GENERAL MANAGEMENT

PEOPLE

McKinlay dives out of the Pool

Margaret McKinlay, the chief executive of the Electricity Pool, surprised the power industry yesterday by announcing that she is leaving to take up the new post of head of compliance at British Gas.

The move will stir considerable interest in energy circles since the Pool and British Gas are both in the public eye these days. But the 43-year-old McKinlay felt it was time for a change, both from her point of view and that of the Pool.

"When I took on this job five years ago I wanted to make sure the Pool was capable of working, and I think I've done that," she said. "It can always be improved, but it would be better for another person to do that."

A graduate of Edinburgh University, McKinlay joined the Department of Energy in 1977, and worked on electricity and oil licensing before becoming private secretary to the minister of state. After a spell in administration, she moved to the coal division during the



miners' strike before returning to electricity to oversee privatisation.

In December 1989 she helped create the Pool, the new wholesale market for electricity which formed the heart of the privatised industry, becoming chief executive in 1990.

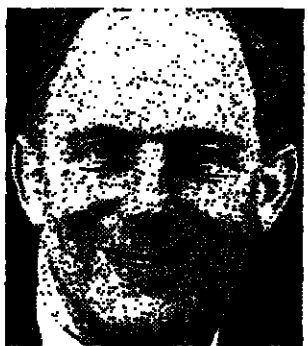
Although the Pool has evolved as the focal point of the electricity market, it has been criticised for containing imperfections, and a number of reforms are being introduced under McKinlay's guidance.

At British Gas, McKinlay will play a key role in introducing a regulatory compliance regime in the wake of last year's monopoly report. In particular, she will be responsible for ensuring the effective separation of British Gas' transportation business from its trading operations - the key feature of the new structure which will have to pass muster with the gas regulator and the company's customers.

McKinlay will be based at British Gas' corporate centre and report to a main board director. She admits that she has had only limited contact with the gas industry - still very much a man's world - though she has met Clare Spottiswoode, the gas regulator, with whom most of her dealings will be.

No moves have yet been made to find a successor at the Pool. One member said yesterday: "She will be very hard to replace. She is extraordinarily conscientious, and would never leave a job half done."

Ian Reynolds' return ticket



The Association of British Travel Agents, which acts as both watchdog and industry association for the UK travel business, has just appointed a new chief executive: Ian Reynolds.

Reynolds, 50, has previously spent 26 years with IBM (UK) in a multitude of roles. He joined the company in 1968 as a trainee salesman in London, after studies at the London School of Economics. He became regional manager for the Midlands and North, and group director of administration in Paris in 1982.

He returned to the UK in 1983 to lead a division concerned with information systems, but Paris once more

beckoned in 1986, where he returned to be general manager responsible for the Benelux, Spain, Switzerland and east European territories.

Back to the UK in 1987, Reynolds took over as director of marketing and services for three years. Clearly, however, Paris got into his system, as he returned there in 1991 to be vice-president, communications, dealing with government and media relations, as well as internal communications. He finished his career with IBM as director of personnel and corporate affairs, back in the UK. He retired from IBM earlier this year.

Given that he enjoys tennis, golf, skiing and sailing, and he now has some spare time to pursue those activities, why is Reynolds taking on the tough role of steering ABTA, which has had its ups and downs in the recent past? "Travel is a high-growth industry, soon to be the world's largest. ABTA is in a good position to provide the necessary leadership for that industry; it's a challenge too good to miss," says Reynolds.

ABTA currently has 2,900 main members, though that increases to 7,000 when counting all retail outlets. Reynolds is taking over from John Duncombe, who resigned earlier this year.

Regret in the City yesterday over the departure from Cowie, the car-leasing and motor-trading group, of Ian Jane, 49, the director responsible for the motor division, after 15 years with the company.

Analysis said it was sad to see the break-up of the experienced management team which had built the Sunderland group into one of the industry's biggest companies. Last year Sir Tom Cowie, 71, stepped down after 45 years as chairman of the company he founded and was replaced by Sir James MacKinnon, previously director general of Ofgas.

Cowie refused to comment on the reasons for Jane's departure, but analysts believe he may have lost out in the race to succeed Gordon Hodgson, 62, the chief executive, who now assumes overall responsibility for the motor division.

The succession was always thought to be between Jane and Neil Pyke, 46, the director responsible for Cowie contract hire and leasing business, which makes the bulk of group profits. Another possible factor is that Jane is a very hands-on manager, who may have felt cut off by the layer of divisional management which grew with Cowie.

Finance moves

The Colloque Franco-Britannique, a select forum set up three years ago by Sir Patrick Sheehy, chairman of BAT Industries, and Gérard Worms, chairman of Suez, has been described rather unkindly by some observers as "a group of serious people shooting the breeze".

But the annual meeting of leading industrialists, journalists and academics does have some practical uses, too. It was at one such gathering that a senior member of S.G. Warburg met Yves Carnac, the president of Ceges, a French consultancy specialising in professional and management training.

He was so impressed with the 59-year-old Frenchman, who was also executive chairman of Havas, the French media group, from 1978 to 1981, that he has been hired to advise Warburg on how to develop its business in France.

Warburg clearly believes that retaining senior figures with good local knowledge and contacts is a winning strategy. It has similar advisers in Spain, the Netherlands, Denmark, Australia and Canada and two in Japan.

■ Alex Wishart, formerly director and general manager of Harrods Bank, has been appointed regional manager for the BEIRUT RIYAD BANK in London.

■ John Scott and Olive Weston, formerly directors of Wise Speke, have been appointed directors in ALBERT E SHARP's Manchester office.

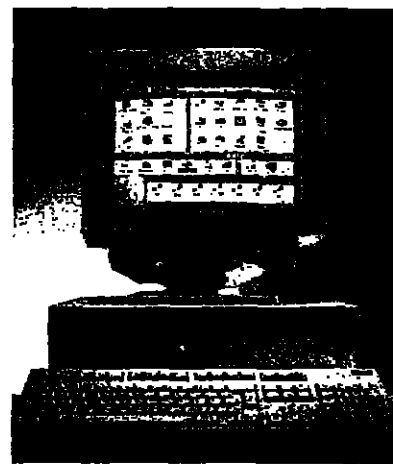
■ Nicholas Peacock, formerly head of regional research in Hong Kong for Schroders, has been appointed a director of LEHMAN BROTHERS with responsibility for marketing Asian equities to UK and European investors. Vincent Walsh has been appointed a director on the UK cash trading desk; he moves from Morgan Stanley.

■ James Wilmot-Smith, formerly a director of Gervard & National, has been appointed a director of GNT responsible for the leveraged fund management division.

■ Tony Charlwood, formerly with Cartmore, William Patisson, formerly with James Capel Fund Managers, and Howard Williams, formerly with Shell Pensions, have been appointed senior directors of FLEMING INVESTMENT MANAGEMENT.

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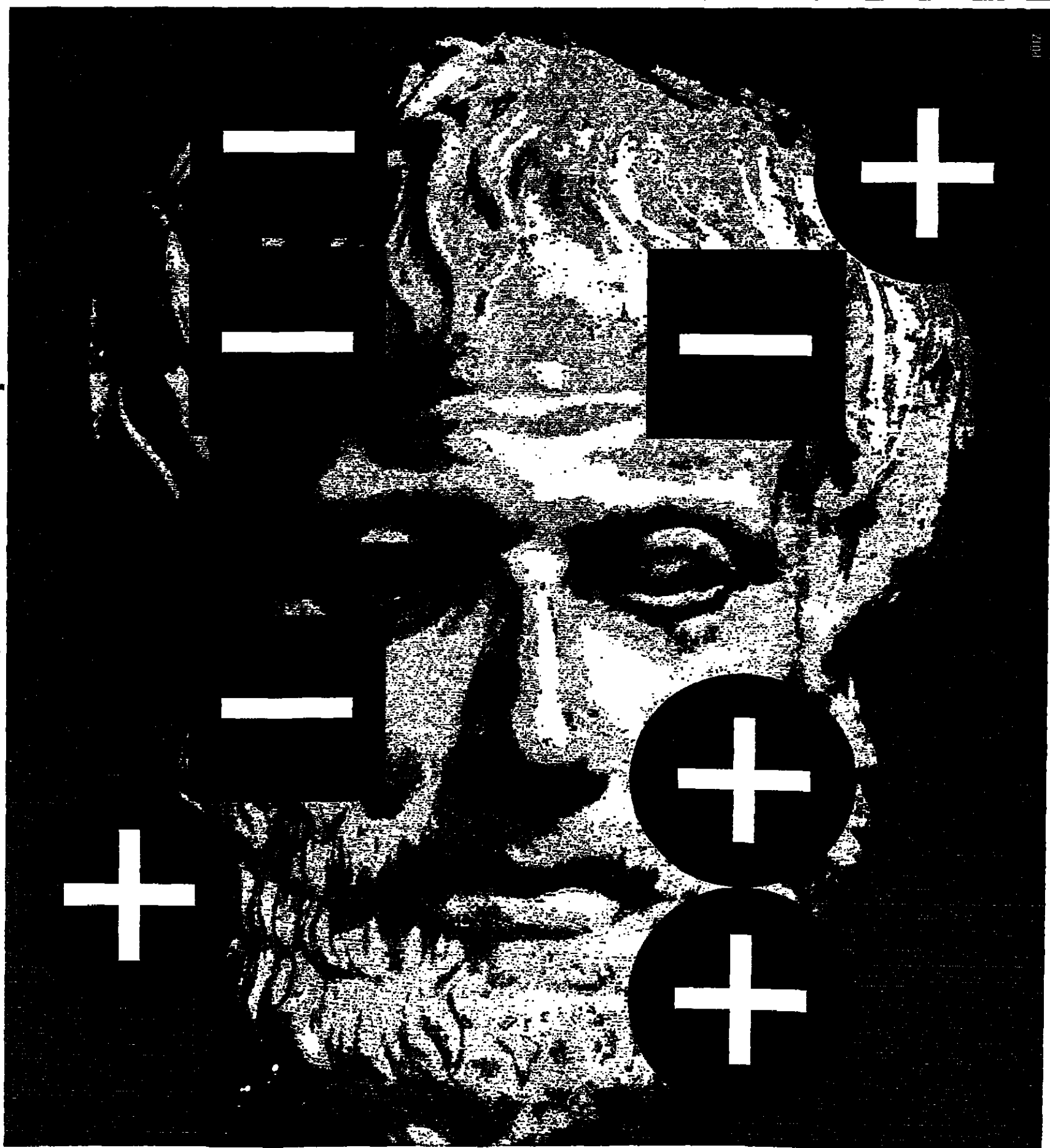
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Richard Donkin on an impending review of UK industrial tribunals

Making fairness work

Imagine a divorce court ordering a husband to be reunited with a wife who cannot stand the sight of him. The decision would be unworkable.

Yet a review of the UK industrial tribunal system ordered by the Department of Employment is expected to consider re-instatement of employees in the workplace as an alternative to compensation for unfair dismissal. Like the saving of a marriage, it sounds attractive in theory. But in practice, as with non-consenting partners, it seems fraught with difficulty.

While enforced re-instatement is thought to be one of the ideas the government is considering for inclusion in a consultative document expected to be published later in the autumn, it may have been dismissed already as unworkable and unacceptable to employers.

Nor may business be enamoured with the German approach, which has been scrutinised widely in Britain. In Germany companies must give appropriate justification to works councils composed of elected employee representatives. Although a works council cannot prevent dismissal, its opinion is taken into account in any subsequent proceedings at a labour court – the more powerful German equivalent of the UK's tribunals.

Some organisations had been lobbying for a review for years. When it was announced by Ann Widdecombe, the employment minister, in a reply to a parliamentary question in April, she said the move was intended to identify any changes that would help tribunals cope with the rising volume and complexity of cases, to reduce delays, and to contain demands on public spending.

Industrial tribunals, conceded the government, had grown too cumbersome and costly. The annual number has more than doubled from 34,000 in 1989-90 to upwards of 71,000 in 1993-94. Most of these were unfair dismissal cases, very few of which led to re-instatement orders and fewer still to actual re-engagement. Under present legislation employers cannot be forced to re-employ someone if they choose to ignore an order of the tribunal.

Although reform has been an issue for years, the timing of the review may have much to do with the European Court of Justice's decision last year to remove the ceiling on compensation awards in sex and race discrimination cases. One result has been a series of six-

NO POINT IN SUGGESTING THE EMPLOYER GIVES HIM HIS JOB BACK I SUPPOSE?



figure awards to women who were dismissed from the armed services after becoming pregnant. The cases have sounded alarm bells in Whitehall, faced with a £100m bill if all the appeals prove successful.

The government is thought to be deliberating compensation ceilings because of the discrepancies that have arisen. While unfair dismissal cases are limited to awards of £11,000, there is no limit on race and sex discrimination cases. The Employment Appeal Tribunal, the equivalent of the civil Appeal Court, has already laid down detailed guidance on the MoD cases and cautioned against such high payments.

The underlying need for reform arises from the numerous piecemeal changes made in the system since tribunals were established in 1964. Initially their role was to hear complaints from employers against the "training levy" – levies on each industrial sector to pay for training. They were wrenched from obscurity by the 1971 Industrial Relations Act, which gave them jurisdiction over unfair dismissal claims.

They have gradually acquired more status and power as arbiters of the various employment discrimination laws, to the extent that they now give judgments on 60 types of claim. Today, because of diminishing union power and representation among many employees, the tribunal has become the chief and in some cases the only recourse against unfair treatment in the workplace. Tribunals have recently been given the power to judge contractual disputes, but there is a ceiling of £25,000.

The format of industrial tribunals is largely similar across the country. They tend to be held in two or three characterless rooms in an office block. The proceedings are deliberately informal. With a presiding lawyer acting as chairman, the sides are divided into applicants (aggrieved employees) and respondents (employers). Each can be formally represented but often choose to forego lawyers because of cost; legal aid is not available.

The result is that individuals inexperienced in advocacy tend to stumble through their questioning,

taking up almost as much time as lawyers. Often the parties are allowed to lead their witnesses in a way that would not be allowed by a Crown Court judge. Case backlogs and the length of hearings are leading to too many split hearings, where the beginning and end of a case may take place months apart.

Two years ago full-time tribunal chairmen were given powers in certain circumstances to sit alone, but they appear to be reluctant to dispense with their panel of two lay people. "The presence of lay people with practical experience is an important check and balance," says Digby Jacks, a national officer of MSF, the technical union.

Jacks is among a growing lobby who believe that the government-funded Advisory Conciliation and Arbitration Service should have a greater involvement in cases. Currently, it is available for consultation, but some believe that if its powers were extended to those of mediation or arbitration it could prove a more efficient filtering process. Other ideas being considered by the government include a system for employees to meet both sides' costs if they pursue frivolous claims. Examples of the trivialising of tribunals are legion, and include complaints about the way a brigadier's cook fried eggs.

While the badinage of workers who called their Ulsterman colleague a "thick paddy" was arguably trivial, it won the employee £6,000 in compensation for hurt feelings, and may have had a broader social influence in the way that people behave at work.

So may have sex discrimination cases – which, more than anything else, have raised the profile of industrial tribunals in the media. Last month Samantha Phillips, an insurance broker at Willis Corroon, won £18,000 in damages after claiming sexual discrimination and unfair dismissal. "I think the case will send strong vibrations down the spines of some managements," says Jacks.

One fear about the consultative document among organisations that have been urging reform is that the government's prime concern is cost, and that its recommendations may dilute the powers of tribunals. Peter Martin, legal officer at the Engineering Employers' Federation, says: "I fear the document may be too narrowly focused when what we want is a broader review."

Few modern plays have generated as much controversy as David Mamet's *Oleanna*. It portrayed a disastrous series of miscommunications between a male college professor and a female student which finally destroyed the professor's career.

In a disturbing example of life imitating art, a male college professor at the University of New Hampshire is now on indefinite suspension without pay following a sequence of events remarkably like those portrayed in Mamet's play. The events raise important questions about academic freedom, individual rights and "political correctness".

Donald Silva, 56, pillar of the local Congregational Church, and a faculty member at the University of New Hampshire since 1972, taught a course on technical writing. In one of his lectures, he compared an aspect of the creative process to sex. The simile was based on the to and fro quality of the movement and the sense of fulfilment that came at the end.

On another occasion, when discussing the use of similes, he suggested that the movement of a belly dancer might be described as being "like Jell-O on a plate with a vibrator under the plate". These sexual allusions offended some of the female students who complained to the university authorities.

Was this all there was to it? Apparently, yes. In subsequent enquiries it was reported that some female students felt the professor stood too close to them

Definitions of what constitutes sexual harassment have profound implications

on certain occasions, but there was no definition of how close was too close.

An administrative tribunal nonetheless found Professor Silva guilty of sexual harassment, defined in this case as "creating a hostile and intimidating atmosphere" in his class. The professor was suspended without pay for a year, during which time he was required to undergo psychotherapy – at his own expense – to correct his supposedly deviant tendencies.

He chose instead to bring legal action against the university, demanding reinstatement to the faculty, compensation for lost

From sexual simile to sexual 'crime'

Stuart Bentley on the dangers of a politically correct definition

income and undisclosed damages. He thus remains suspended without pay pending the outcome of his law suit.

The Silva case has split the University of New Hampshire community into those who see it as a question of academic freedom and those who see it as a question of women's rights. Both positions have merit and are defended passionately: an unlikely basis for rational dialogue.

The university administration is understandably reticent about discussing the case but Eve Goodman, head of the university's sexual harassment and rape prevention programme, is prepared to comment. She says that if female students felt afraid to go to a professor's lecture, then "we got a problem here".

We certainly have. As an American academic, I feel a personal interest in the Silva case, but its ramifications extend far beyond the confines of American academia. Sexual harassment is becoming an increasingly important issue throughout the developed world and definitions of what may or may not constitute sexual harassment have profound implications for working relationships in general.

With attempts to define the limits of acceptable behaviour comes the image of a society dominated by politically-correct thought police.

While such a prospect may be interesting as a dramatic premise, does it have any basis in reality? In the light of events at the University of New Hampshire, I am less complacent than I was. In

my day-to-day dealings with students, I find myself increasingly aware that even the perception of "inappropriateness" could be disastrous. This is especially true with female students, in whose company I now feel a level of personal vulnerability more appropriate to a minefield than a classroom.

This is not paranoia. Official guidelines in most private and governmental organisations in the US include "creation of a hostile and intimidating atmosphere" under the general heading of sexual harassment.

The Silva case shows clearly that even casual references to personal bodily functions – especially those pertaining to reproduction – may be deemed to create such an atmosphere, constituting grounds for censure. This censure carries the same stigma as a conviction for indecent assault.

The question of stigma is crucial to this debate. What is important in the Silva case is not what he was accused of but what he was not accused of. There was no suggestion, for example, of improved grades in exchange for sexual favours. No mention of groping, fondling or even "inappropriate touching".

And if his similes generated an environment that his accusers found "hostile and intimidating", where might these women feel comfortable? Surely not on the campus of a modern university, where ideas are expressed freely – sometimes even offensively – and established opinions are open to constant challenge. Most

Official guidelines include the "creation of a hostile and intimidating atmosphere"

important of all: is the academic equivalent of a death sentence reasonable punishment for the "crime" of using sexually-suggestive similes?

It is now up to the courts to decide. Meanwhile, I am reminded of a song, extolling the politically-incorrect delights of "standing on the corner watching all the girls go by". I remember particularly the line that goes "you can't go to jail for what you're thinking". Such optimism may soon be out of date.

Stuart Bentley is professor of pathology at the University of North Carolina Medical School



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★ BUSINESS AND THE ENVIRONMENT

Accounting for the birds, bees and trees

Raymond Colitt on why economic indicators must reflect degradation of natural resources

How much is the air you breathe or the forest you hike in worth? Can a monetary value be put on them, or are they priceless?

As pressures for conservation of natural resources mount worldwide, planners and policy-makers are increasingly confronted with such questions. The result is that economic valuation of natural resources and environmental accounting are achieving greater prominence.

Much of the theoretical groundwork has been done by scholars such as Robert Repetto of the Washington-based World Resource Institute and David Pearce of University College London. International conservation agencies, among them the United Nations Environment Programme and the World Commission on Environment and Development, have endorsed the objectives of resource valuation and environmental accounting.

The economies of many developing countries are especially resource-dependent - oil-exporting countries, for example - and thus have an interest in determining the value of their inventories, or reserves.

Recently the UN Statistical Office published guidelines for environmental accounting; this is likely to help developing countries incorporate the value of resources into national accounts.

Conventional accounts can give a misleading picture of a nation's output by failing to show depreciation as resources are depleted or to reflect the contamination of natural resources. Thus, the output of products such as oil are overestimated, as there will come a time when the oil runs out and income will cease. Such natural resources have neither been considered productive capital nor been subject to depreciation.

Just as a lumberman loses capacity to produce timber if he cuts trees without reforesting, an economy's productive capacity diminishes with the degradation of biological resources. The World

Resources Institute argues that if natural resources, like other assets, are diminishing they should be subject to depreciation.

Theodore Panayotou at Harvard's Institute for International Development says that the price of commodities, such as fish and crops, often "reflects only the opportunity cost of labour and capital used in their production, not the opportunity cost of scarce natural resources used in their production."

The implications of economic indicators that do not reflect such degradation are many. They result in a deceptive measure of economic growth. A country exporting large amounts of timber, for example, may record considerable growth, as reflected in gross domestic product. But if economic figures do not reflect a decrease in the inventory of natural resources - its forests - and a reduction of future productive capacity, such growth is overstated and unsustainable.

A study of forestry schemes in Britain, sponsored by the World Wide Fund for Nature, found that: "Economic analysis of forestry is, in practice, purely a financial assessment of profitability."

Misleading income measurements create the illusion that growth was created without cost to the environment, says Omar Noman, senior research economist at Oxford University. An indicator of economic growth is needed that is adjusted for environmental costs.

Based on the concept of sustainable development, "net growth" would be based on income generated by economic activities that do not reduce a country's productive capacity in an unsustainable way. It is calculated by subtracting the cost of degradation from gross domestic product.

Case studies of resource degradation have shown that the market often fails to reflect the social and economic cost of environmental degradation. For example, although natural stocks of fish worldwide are dwindling, fish prices are not rising enough

to inhibit consumption to a sustainable level.

A number of methodologies to value natural or biological resources have been proposed. The simplest approach is to assess the market value of commercially harvested products, such as timber or medicinal plants. It calculates the value at current prices while taking into account unconventional uses such as eco-tourism. But this approach does not consider the value of products that do not pass through a market. For an Indian tribe, firewood, game meat and fish are products that are not marketed, so have no market value.

Even more elusive is the attempt to assess indirect values of ecosystems. What is the worth of a forest's function in regulating the climate, as a source of water or sequestering carbon emissions?

So far such valuation techniques have been applied largely to limited geographical regions or specific resources within an economy. As Repetto says: "The idea of an all-encompassing inventory of natural assets has generally been discarded."

In Papua New Guinea, the World Bank and the UN Statistical Office conducted case studies to see how data on natural resources could be integrated into the existing system of national accounts. Environmental impacts were assessed in agriculture, forestry, mining and energy sectors. The environmentally adjusted net domestic product (EDNP) was calculated in two stages. The economic depletion of natural resources was calculated; then the degradation of environmental quality and of non-marketed environmental services was assessed. Total EDNP equalled 90 to 97 per cent of net domestic product.

Ultimately, economic valuation of natural resources does not prevent their unsustainable use. However, it identifies and determines the cost of unsustainable economic growth. It is a further step in providing economic indicators that reflect the state of the environment.

Once defunct tannery in Laos, south-east Asia, has won its first orders by selling itself to western leather buyers as an environmentally friendly operation.

While much industry along the Mekong River is still pumping out effluent and dumping waste, the Simon Lao factory is capitalising on greater environmental awareness among western consumers.

Simon Lao in Vientiane, the Laos capital, is the country's only tannery. It was built by the government in the late 1980s with funding from the United Nations Development Programme but was mothballed on completion. The plant never opened for business because there was no further funding once the aid programme ceased.

But commercial production began as soon as the tannery was privatised last year, and sales are now up to \$12.5m (£84,600) a month. The government sold 75 per cent to Bangkok-based Simon & Associates, an Australian-Thai joint venture. It is one of Thailand's largest makers of leather furniture, with sales of more than \$1m (£600,000) a month.

Simon Lao made it a marketing policy to become a "green" leather niche. It is now hailed as one of the most environmentally-friendly tanneries in south-east Asia.

Keen to buy from such a supplier, Ikea, the Swedish group, recently placed a \$2m (£1.2m) order for leather furniture from Simon & Associates.

Ikea says it would like to buy more furniture from the parent company, but the tannery is running at full capacity and cannot deliver any more at the moment. But the company says it has "many more leather articles which can be shifted to the Lao tannery. And we are in the process of adapting our furniture - to give it a new look - to further fit their production."

Laos is perhaps not the most obvious of investment destinations in Asia. As a late industrialiser, the country is not trying to attract foreign investment by agreeing to environmental "dumping" - but rather the opposite. Jean-François Renaudin, general manager of Simon Lao, says: "Simon & Associates was very interested in this tannery, first because it could supply them with water-buffalo leather, which is getting hard to find in Thailand."

"Second, Ikea, which is a very large customer, has to watch what it does in terms of the environment. Simon identified that if it could get a tannery that was clean at the start, and then make it cleaner and greener, surely Ikea would be interested in that. Mind you, it is a gamble - it's not a deal with Ikea - that is part of the marketing strategy of Simon."



Tanning blues: a Simon Lao quality controller works on a hide at the "wet blue" stage - a wet white process is planned

Green leather in fashion

Tomas Larsson visits a Laos tannery which is trying to be as environmentally friendly as possible

Renaudin believes the plant's success so far is because of its cleanliness.

"We are one of the few tanneries in south-east Asia to have a dedicated effluent treatment plant. And it is the biggest one I've ever seen. In fact, we could probably increase production capacity by 10-15 times and the system would still be able to cope."

The plant has a modern waste water treatment plant, imported from Europe, which chemically removes dangerous chemicals from the water used in the tanning process.

Bernhard Meyhöfer, a German consultant working with Thailand's ministry of industry on a series of environmental projects, agrees that the Simon Lao tannery is cleaner than most. "Compared with the 150 tanneries in Thailand, the Lao tannery is definitely much cleaner."

They are doing one very important thing right: separating chromium-containing waste water from the other waste water streams and removing the chromium by precipitation. Chromium is used in the tanning process.

The resulting sludge is disposed

of in drying beds on the plant site. Inheritance from the UNDP days, the tannery is equipped with a chrome recycling system, which could eliminate the need for a more suitable site for end-disposal of the chrome-filled sludge. But the system has never been fully operational. It would require further investment to open and Renaudin is not convinced that using recycled chrome would have no effect on the quality of the leather.

Renaudin's gamble, as he puts it, appears to be paying off so far. He is now embarking on a project to improve further the plant's environmental record - to eliminate what the industry calls "wet blue" shavings. The shavings, which contain chromium, are produced when the hide is shaved to produce a uniform thickness.

Simon Lao will introduce a two-step tanning process. The shaving of the hides will in future be done in a pre-tanning stage called wet white, before the usual chrome-tanning process.

"In the west," explains Renaudin, "tanneries dump the wet blue shavings at disposal centres specialised for toxic waste. A small tannery

such as Simon Lao produces perhaps 200 kilos of shavings per day - and in Laos they didn't even have a rubbish tip when we came here."

In contrast, the new tanning process, expected to be up and running by the end of the year, involves only organic compounds (aldehydes) and the shavings can be used as animal feed. "We will probably be the first tannery in the world to use the wet white process for 100 per cent of our production," says Renaudin. "And Laos will certainly be the only country in the world where all tanneries use this technology - because we're the only tannery here."

But not all factories in Laos are as environmentally aware. Local villagers, for instance, have to tread with extreme care to avoid hurting themselves when struggling through heaps of broken bottles, rusty bottle caps and copious amounts of rubbish and effluent. Heavy rain flushes much of the waste into the relatively pristine waters of the Mekong. If the success stories of companies seeking out the "green" buyer in Laos continue, this practice may finally come to an end.

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ARTS GUIDE

Television/Christopher Dunkley

A seasonal display of dirty linen

Does anybody remember television quite as dreadful as we have been having for the past couple of weeks? Of course any week that contained the pilot for Chris Tarrant's game show (can that really be the right phrase?) *The Opposite Sex* would be pretty bad. The billing told us that couples would be "airing their dirty laundry in public" and anyone who thought this was a subtle piece of wordplay indicating a stage beyond washing their dirty linen was rapidly disillusioned by the information that there would be "a studio audience comprising of couples only". Such solecisms should have served as a warning. Sure enough women were induced to object to men leaving the lavatory seat up, and men to complain about the time women took in preparing to go out. Goodness knows how the BBC justifies spending our licence fees on such trash.

Nor was it just that. There have been dustbin loads of repeats and a poor response from news and current affairs programmes to the cessation of violence by Irish republicans. Perhaps I was consistently unlucky, and it was like a game of Grandmother's Footsteps: every time I switched chan-

nels to find a better report, impressive activity promptly occurred behind my back. Maybe. But the reports I saw seemed wholly unprepared for what had happened, and obsessed with the absence of the word "permanent" in the ceasefire declaration, virtually to the exclusion of all other considerations. In particular there was a marked failure to explain how this event had come about. Were the American visiting politicians influential? Was it John Major's doing? Had John Hume's work paid off? Having believed in violence for 25 years, why had the terrorists changed their minds? Not only did nobody seem to have the faintest idea, nobody on television seemed willing to ask.

At other times of the year when there is so much more to distract the attention you might be able to get away with showing a ragbag collection of episodes from ancient

ATV series, pretending you were serving a demand for retro television. After all, nobody accuses the National Film Theatre or the Hampstead Everyman of showing "repeats"; they are in the serious sounding business of repertory cinema. However, there is an important difference. The NFT and the Everyman select the best of what has survived, whereas broadcasters usually seem perversely interested in the worst. It was not a bad idea to have Michael Grade interview his uncle for *The Persuader*. The TV Times of Lord Leo Grade, because Lew Grade did have a significant effect on British television in the 1950s and 60s. Some of his series - *The Muppet Show* for instance, and *The Prisoner* - were unusual and well worth reviving. Moreover it was fascinating to see the episode of *Danger Man* in which Patrick McGeehan played a shadowy agent, sent abroad to a mysterious self-

sufficient village where the mundane was overlaid with a powerful sense of sinister totalitarianism, since this was so clearly the model for *The Prisoner* in which McGeehan played the title role and also produced. There are no such good reasons for showing odd episodes from *The Buccaneers*, *The Adventures of William Tell*, *The Persuaders* and a lot of other ATV series which are banal, repetitive and best forgotten. They looked like Polynesian, shoved in to fill gaping summer-time cracks.

Is this all cause or effect? Are these heaps of repeats and ghostly pilots pushed at us in August because everybody who can afford to has left for Tuscany (or, for a touch of real class, Umbria) or do all those people shoot off to Italy because August is a dead month, not least on television? Whether the chicken or the egg came first, it is time the broadcasters gave up their

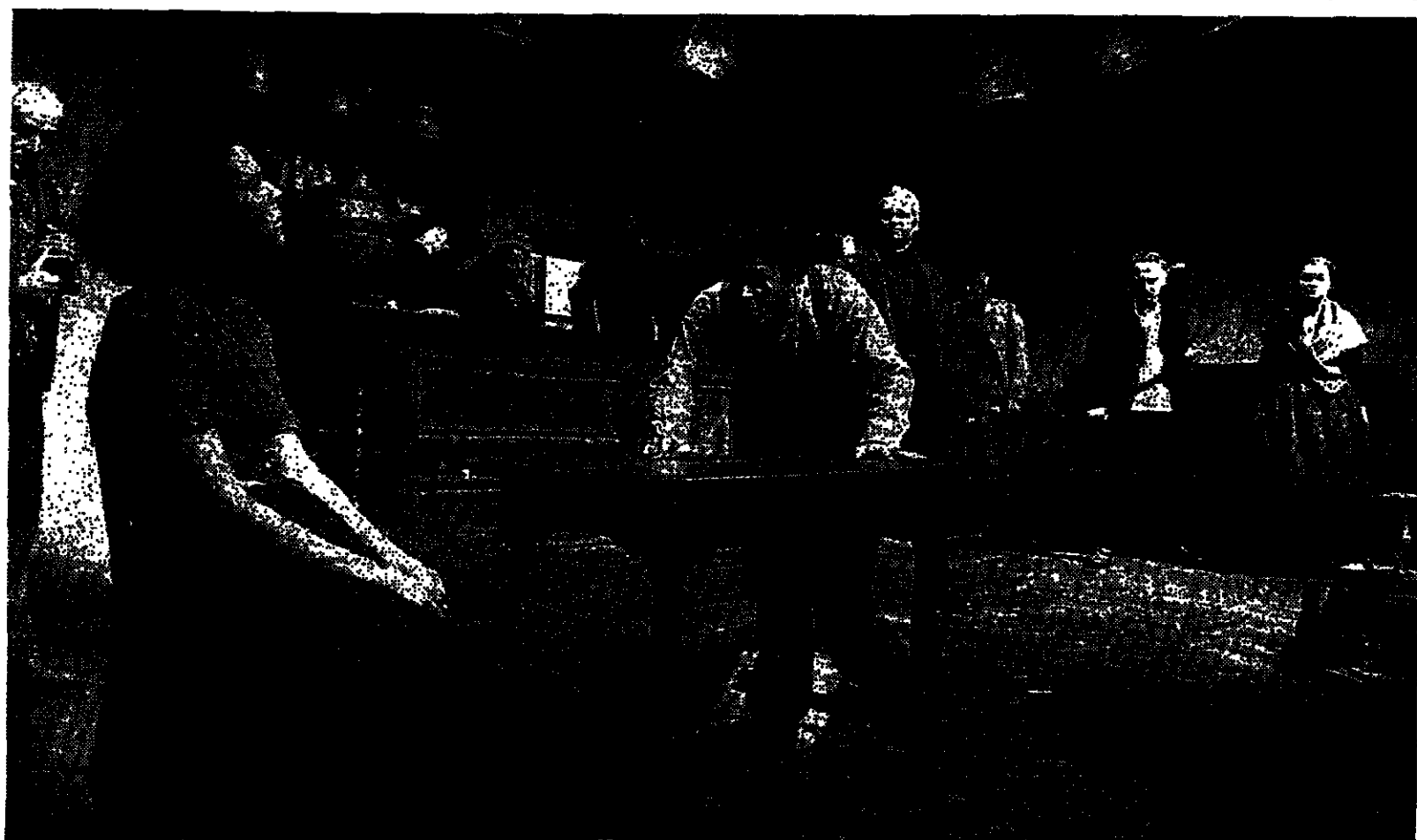
nasty habits and accepted that even though *Cornwall Street* attracts "only" 16m viewers in August instead of 19m in the winter, 16m people are not to be sneezed at. Having said which, the autumn season is creeping in even as I write. Sunday brought the first of a new season of "Screen One" filmed dramas on BBC1, *A Breed of Heroes*, written by Charles Wood. Concerned with a British Army unit in Northern Ireland in 1971, this has been widely described as a comedy but is surely no such thing. Wood, a one-time regular soldier, seems to be simultaneously fascinated, impressed and appalled by professional soldiers and soldiering. He wrote the movie *The Charge of The Light Brigade* and - his most outstanding work to date - *Tumble-down*. Like those, *A Breed of Heroes* is concerned with the paradoxes of military behaviour: obedience and rebellion, valour and stupidity, but-

tality and compassion. The central character, young Lt Thoroughgood, is not the most memorable. It is Nicholas Farrelly's Lt Col Gowrie who sticks in the mind, the man who is mad enough to scream at the grave in the officers' mess but sane enough to declare of the local population "I swear I'm going to make them behave like human beings". The main mistake with this drama is to assume it is about Ireland: it is about the military mind.

We have also seen the start of Channel 4's series *2nd Century AD*, about Roman Britain, which seems to be sailing dangerously close to hagiography where architect Renzo Piano is concerned; and, on BBC2, the first episode in the American comedy hit *Murphy Brown*. Given the scarcity of good comedy, it is difficult to understand the idea of

screening this at a time - six o'clock on Mondays - when most people are still travelling home. Most promising of all we have seen the beginning of BBC2's eight-part series *White Heat* which is described as "charting the history of technology" but which turns out to be nowhere near as dry and educational as that makes it sound. The opening episode made the point that the difference between man and other animals is not tool use (others swim on their backs, holding flat stones on their chests to use as anvils for smashing open mussel shells) but the symbolism which is built into so many of man's tools, even when they are as seemingly utilitarian as, say, a gun.

Tonight brings the first episodes in BBC1's new drama series about dustmen, *Common As Muck*, and ITV's drama about politics, sex scandals and arms dealing, *Faith*. Give the broadcasters a week or so and they will be looking for programmes at us so fast that none of us will be able to keep up. Politicians may have fought their way clear of the old boom-bust cycle but not broadcasters. This is the way they believe things should be: famine in August and glut in September.



Intoxically poetic: Aisling O'Sullivan (left) as Pegeen and Aidan Gillen as Christy in Lynne Parker's new staging at the Almeida

Theatre/Alastair Macaulay

The Playboy of the Western World

Watching J.M. Synge's celebrated play *The Playboy of the Western World* - in my case for the second time in 15 days - is an astonishment. So simple a story, dramatised with such surprising ambiguity, I have plenty of reservations about Lynne Parker's new staging at the Almeida, but I take it that the full-throated approval of the first-night audience denotes pleasure in the play itself. Which is as it should be.

The most vital of all the play's layers is its language. There is the infectious skill with which Synge makes ordinary Irish talk intoxicatingly poetic. And it is Christy Mahon, the lying playboy,

whose talk is the most infectious of all: "...there's torment in the splendour of her like, and she a girl any moon of midnight would take pride to meet, facing southwards on the heaths of Keel." Not that his words are all lies. From his capacity for poetry we glimpse his capacity for courage; and it is he who changes most during the play.

The finest poetry arises from the romance between Christy, the dark starling stranger who arrives from the cold, and Pegeen Mike, the daughter of this house in County Mayo. Sometimes Synge makes their love sound as predestined and potent as if they were Siegmund and Sieglinde in Wagner's *Die Walküre* - and yet he also satirically debunks it. For

this is only County Mayo, where people, including Pegeen, are daft enough to hero-worship Christy for his tale of having killed his own father. And he is only Christy, whose lies may make him the all-conquering "playboy" on his arrival, but who is still scared of the father who is only too alive. Synge has us laugh at all these characters - up to a point. The final, beautiful twist of his play, is that their base coal can indeed be turned to diamond. For Christy really does win the village games, and then does beat his father; and Pegeen really has lost her heart to him.

Lynne Parker's direction has great virtues. All the characters are three-dimensional; Christy (Aidan Gillen) is, cor-

rectly, not the gorgeous hunk that the village women all make him out to be; and the loneliness of Pegeen and Christy is unusually touching. On the other hand, the production's tempo is frequently too deliberate, its tone too carefully distilled. Where Synge's lines cry out to be spoken with spirit and speed, they are often here taken slowly and softly.

Other reservations? Christy, on arrival, is too clean; everything and everybody (save Pegeen) looks - in Kathy Strachan's designs - too prosperous and modern for "the wild coast of Mayo in 1907". Pegeen's father and the other Mayo men are too sober; and Pegeen and the Widow Quin (Gina McKee) are sometimes inaudible. And to frame the

play with one of McCormack's Irish-song records - between scenes as well as at the start and end - adds a heavy note of polite nostalgia not to be found in Synge's play.

There are, none the less, rewards enough here. Until Christy's exit, Aisling O'Sullivan brings Pegeen to life: her boredom, longing, tension - with first-rate body-language. Gillen is pretty well the kind of raven-haired shirring that Synge's playboy should be, a weak son whom every woman will motherly adore, yet with just enough steel to surprise. And at every point the absence of Irish cuteness and blarney is pure tonic.

Almeida Theatre, London N1

Andrew Clark concludes a two-part report from Switzerland's premier music festival

Liberating theme for Lucerne

Lucerne has long prided itself on its programme themes, but few have been so liberating or so intelligently pursued as this summer's "Forms of Interpretation". At first glance, it seemed little more than a convenient way of wrapping up whatever was available on the international festival circuit. After all, when is musical performance not a form of interpretation?

On closer examination, the theme has clearly stimulated the imagination of Lucerne's festival director, Matthias Bamert. At one extreme, he invited a clown and an "alternative" musician to give their own bizarre interpretations of traditional concert form. At another, he devoted a whole evening to orchestral arrangements and transcriptions, whose dubious vehicles which composers use to interpret the thoughts of their noble predecessors.

Gennady Rozhdestvensky conducted one bloated hybrid after another with implacable pleasure, but it was hard to decide which was worse - Hamilton Hart's soporific suite from *Henry's Music*, or the turgid orchestration which Liszt made of the slow movement from Beethoven's *Archduke* trio. The more sound you add, the more you bury the spirit of the original. The only composer to emerge with credit was Schoenberg, whose subtle, respectful arrangement of two Bach chorale preludes underlined the whole point of interpretation - to divine the character of a work, and filter it through the personality of the interpreter.

Ravel and Webern, two other master-arrangers, were well represented elsewhere in the festival. So too were Beethoven's *Leonore* overtures - a vivid example of a composer struggling to interpret himself. And there was no shortage of period-instrument specialists to illustrate the changing fash-

ions of interpretation. But the biggest single interpretative focus was *Winterreise*: Peter Schreier sang the original Schubert; Hans Zender and Klangforum Wien presented a "composed interpretation" of the song-cycle; and a new *Winterreise* opera received its premiere.

With music by the Austrian composer Ingomar Grunauer and a libretto by Francesco Miceli, the opera gives a 20th century political resonance to the chill despair described by Schubert. Set in the Pyrenees in September 1940, it is a psychological study of the German poet Walter Benjamin, on the night before he committed suicide while fleeing from the Nazis. In 11 interconnected scenes, he hallucinates, dreams of the past, and sways between the angels of life and death. The music, hyper-expressive rather than poetic, is scored for small orchestra and chorus, and maintains a lean Bergian flow. Its impact was considerably enhanced by Philipp Himmelmann's semi-abstract production and the vivid performance of the American tenor Neil Wilson.

That was one of the more original "Forms of Interpretation" at Lucerne this summer. Without being dogmatic, the theme underlined again and again that interpretation is never definitive, it can never be fixed. In an age which likes to see music recorded in tablets of stone, it was a salutary reminder.

The choice of Klaus Huber as composer-in-residence was a mixed blessing. A neat and sprightly 70-year old who has spent much of his professional life outside his native Switzerland, Huber has had more influence as a teacher than as a composer (Brian Ferneyhough being his best-known pupil). His music is difficult and expensive to perform, and does not sit easily in mainstream concert programmes. The festival did its best by

commissioning a piano concerto, which András Schiff played in the same programme as Mozart's K595. Entitled *Interst*, it tries to echo a Messiaen world in a succession of trills and half-tones, like a precisely calculated miniature. But it offers the soloist little more than sophisticated doodling.

In other events, Huber's idiom came over as wearisomely dated. His idealistic engagement with politics and religion was represented by a performance in the Hofkirche of *Cantiones de Circulo Gyranis* (1985), and a film of the 1983 Donaueschingen premiere of the oratorio... *Erntedankfest, geknechtet, vertrieben, verachtet*. Both require a vast auditorium to create the necessary spatial effects, and both employ a narrator to declaim portentous texts, against a background of gloomy choral intoning. Both sound like muzak for purgatory - a complete contrast to Huber's small-scale works, of which the soulful, suggestive *Plainte* for viola d'amore (1990) was the most impressive. Les Jeunes Solistes and Ensemble Recherche were the faithful interpreters.

My own festival impressions were dominated by Felicity Lott's ravishing account of Chausson's *Poème de l'amour et de la mer*, accompanied by the Suisse Romande Orchestra under Armin Jordan; and by Heinz Holliger conducting the Deutsche Kammerphilharmonie in Mozart's *Prague* symphony (in the same programme as the Huber piano concerto). Holliger's artless podium manner, his natural sense of style and sheer verve were a joy to behold, because they transmitted themselves intuitively to the players and were placed entirely at the service of the music. Now there was an interpretation to remember.

The Lucerne festival runs until Saturday. Box office: tel (41) 233080; fax (41) 239464

INTERNATIONAL ARTS GUIDE

BESANCON

The French town of Besancon is best known in the musical world for its conductors' competition, but this has now been turned into a biennial event. However, the annual music festival has developed a momentum of its own, reflected in the high calibre of artists on this year's programme. Tonight: Tili Fellner piano recital. Fri: Colin Davis conducts Dresden Staatskapelle in works by Weber, Strauss and Beethoven. Sat: Il Gardino Armonico plays Vivaldi and Handel, with soprano Guillemette Laurens. Next Tues: Michel Delabert piano recital. The festival runs till Sep 16 (8181 8225)

BONN

Oper The opening production of the season is a new dance drama on the Dreyfus Affair, devised by George White with music by Alfred Schnittke and choreography by Valery Panov (next performances Sep 6, 10, 16, 24). This month's repertoire also includes

Les Contes d'Hoffmann and Il Guarany, an opera by 19th century Brazilian composer Antonio Carlos Gomes (0228-73667)

COLOGNE

Philharmonie Fri: Sat: Marcello Viotto conducts Cologne Radio Symphony Orchestra in works by Respighi, Bartok and Hindemith, with violinist Kyoko Shikata. Sun: Esa-Pekka Salonen conducts Los Angeles Philharmonic Orchestra in Beethoven, Elliott Carter and Sibelius. Mon: Brahms' German Requiem (0221-2801) Opernhaus Sep 18: Cologne Opera's 1994-5 season opens with first night of new production of Puccini's *Trittico*, conducted by James Conlon and staged by Willy Deckert (0221-221 8400)

DRESDEN

Semperoper Tonight: Fri: Sun: new ballet mixed bill. Tomorrow, next Tues: Albert Reimann's opera *Melusine*. Sat: Die Zauberflöte. Sun morning: Colin Davis conducts Dresden Staatskapelle in Beethoven's Sixth Symphony and Brahms' First. Mon: Der fliegende Holländer (0351-484 2323) Kulturpalast Sat and Sun: Philippe Entremont conducts Dresden Philharmonic Orchestra in works by Richard Strauss, André Previn and Shostakovich (0351-486 6666)

FRANKFURT

Alte Oper A new chamber opera by Wolfgang Rihm, entitled *Séraphin*, is premiered tonight in the Mozart Saal

(repeated tomorrow and Fri), one of several works commissioned for this year's Frankfurt Festival. Tomorrow in Grosser Saal: Eliahu Inbal conducts Frankfurt Radio Symphony Orchestra and Berlin Radio Chorus in works by Bloch and Schoenberg, with vocal soloists. Next Mon and Tues: Esa-Pekka Salonen conducts Los Angeles Philharmonic Orchestra in two programmes, including symphonies by Lutoslawski, Sibelius and Bruckner. Next Tues (Mozart Saal): Hans Peter Blochwitz symphony recital. Next Wed: Mitsuko Uchida piano recital. All these events form part of the Frankfurt Festival, which continues till Oct 3 (069-134 0400) Oper The 1994-5 season begins on Oct 11 with Herbert Wernicke's production of *The Ring*, which will be performed in three cycles during October (069-236061)

GOTHENBURG

Neerke Järvi conducts the Gothenburg Symphony Orchestra tonight and tomorrow in works by Beethoven, Tülin and Brahms, with piano soloist Leif Ove Andsnes (031-167000) Gothenburg's new harbourside opera house opens on Sep 30 with the first of three gala performances. The first opera production is Blomdahl's *Aniara* (1959), opening Oct 15 (031-181300)

HAMBURG

Musiktheater Tonight: Esa-Pekka Salonen conducts Los Angeles Philharmonic Orchestra in works by Beethoven, Elliott Carter and

Sibelius. Sat: Andreas Haefliger piano recital. Sun: North German Radio Symphony Orchestra plays Zemlinsky and Schumann (040-354414) Staatsoper Tonight: Il barbiere di Siviglia. Tomorrow, Sat: Entführung. Fri: Il trovatore. Sun: Henze's *The Bassarids* (040-351721)

HELSINKI

Elgar Howarth conducts the London Sinfonietta tonight and tomorrow in works by Knussen, Turnage, Birtwistle and other contemporary British composers, as part of the Helsinki Festival. Francisco Araiza gives a song recital on Fri, and Graeme Jenkins conducts the Finnish Radio Symphony Orchestra on Sat in Elgar, Bartok and Walton. The festival ends on Sun with Jannis Xenakis' musical version of the Orestia (064466) This month's repertoire at the Helsinki Opera includes the Boumeister production of Swan Lake, Carmen, La nozze di Figaro and Lohengrin. A new production of Joonas Kokkonen's opera *The Last Temptations* opens on Sep 23 (4030 2211)

LEIPZIG

Gewandhaus The Gewandhaus Orchestra opens its new season of concerts tomorrow and Fri with a programme of Dukas, Mozart and Brahms conducted by its long-serving music director, Kurt Masur. The violin soloist is Frank Peter Zimmermann. Sat: Polyansky Chorus of Moscow in Reiknerman's *Vespers*. Sun

morning, Mon evening: Daniel Nazareth conducts Middle German Radio Symphony Orchestra in Debussy, Mozart and Berlioz, with violin soloist Ines Kreutle (0341-713 2200) Opernhaus The first new production of the season is Salome, conducted by Jiri Kotik and staged by Nikolaus Lehnhoff, with a cast headed by Nancy Gustafson, Anja Silja and Falk Struckmann. First night is on Sat, repeated Sep 14 and 18. This month's repertoire also includes *The Merry Widow*, *Tosca*, *Swan Lake* and the Kander and Ebb musical *Cabaret* (0341-126 1261)

MUNICH

Gastelg Sergiu Celibidache conducts the opening concerts of the Munich Philharmonic Orchestra's new season on Sep 10, 12, 13 and 15. The programme consists of Bruckner's Seventh Symphony. Celibidache also conducts a French programme on Sep 23, 25, 26 and 28. Georg Solti conducts the Israel Philharmonic on Sep 22, and Anne Sophie Mutter gives a recital on Sep 27 (089-4808 9614) Staatsoper The 1994-5 season opens on Sep 21 with a revival of *Der Rosenkavalier* starring Felicity Lott. The season includes new productions of Don Giovanni (Oct 31), *The Excursions of Mr Brouček*, *Henze's Der Junge Lord*, Simon Boccanegra and Parsifal (089-221316) Herkulessaal der Residenz Maurizio Pollini gives the first celebrity recital of the season on Fri, followed by Sviatoslav Richter on Sep 13, Alfred Brendel on Sep 24 and 26, and Carlo Bergonzi on Sep

30 (089-299801)

OSLO

Konsertshuset Tomorrow: Paavo Berglund conducts Oslo Philharmonic Orchestra in works by Sibelius, Strauss and Shostakovich. Next Thurs and Fri: Mariss Jansons conducts Mozart and Beethoven. Sep 22 and 23: Oslo Philharmonic 75th anniversary concerts (2283 3200)

STOCKHOLM

Royal Opera Tonight, Sat afternoon, next Tues and Wed: Royal Swedish Ballet in Natalia Conus's *Swan Lake*. Tomorrow, Mon: *Tosca*. Fri: Ingvar Lidholm's Strindberg opera *A Dream Play*. Sep 15: first night of new production of *Aida* (tickets 08-248240 information 08-203515) Konserthuset Tonight: Gennady Rozhdestvensky conducts Royal Stockholm Philharmonic Orchestra in works by Aulin, Börtz and Rangström (tickets 08-102110 information 08-212520)

STUTTGART

Gabriele Ferro conducts the Staatsorchester in a Stravinsky and Prokofiev programme at the Liederhalle on Sun morning and Mon evening. The opera and ballet programme at the Staatstheater begins on Sep 17 with a revival of Monteverdi's *Ulysses* (0711-221795) The Ludwigsburg Festival includes the Stuttgart Ballet Sep 18-20, a song recital by Dmitri Hvorostovsky on Sep 23 and a piano recital by Murray Perahia on Sep 24 (07141-939610)

ARTS GUIDE

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Edward Mortimer



False alarm in Cairo

Women's education, not ideology, is key to population control

While doing voluntary service as a teenager in French-speaking Africa, I shocked a Senegalese friend, a primary school teacher, by urging on him the virtues of contraception. "Faut pas empêcher les gosses de naître, wait," he expostulated. You mustn't stop kids being born. (Wait, an all-purpose vernacular exclamation, added emphasis to his statement.)

A Moslem, though by no means a fundamentalist, my friend had unwittingly given a succinct summary of Catholic doctrine. I had trouble with it then, and I have trouble with it now. I've always thought the Catholic Church has a better case on abortion than most liberals and feminists are willing to allow. It hardly makes one an irrational fanatic to describe the deliberate destruction of an embryo human being as the "taking of human life." But the Church weakens its case enormously by pushing it back before conception. At that stage there is no individual human life to be taken; only a myriad potential combinations, almost all of which nature will rule out anyway. Nor is it obvious that the methods of avoiding conception which the church recommends are any more "natural" than those it condemns.

At the Cairo conference on population and development, Vatican delegates are struggling to remove "pregnancy termination" from the list of things covered by "reproductive healthcare" in the UN draft document and to salvage a phrase about "taking appropriate steps to help women avoid abortion, which in no case should be presented as a method of family planning". Vatican delegates have wisely avoided taking a stand on the contraception issue. They are not helped by TV footage from the Philippines, where last month Catholics, led by Cardinal Jaime Sin, demonstrated against the conference and their government's family planning policy, with banners proclaiming: "Contraception = abortion = murder."

Similarly the conference's organisers must have been less than pleased with newspaper headlines yesterday suggesting that Mrs Gro Harlem Brundtland, the Norwegian prime

minister, won a standing ovation by calling for abortion to be legalised worldwide. They have taken pains to establish that this is not the conference's agenda. Mrs Brundtland herself complained that the agenda had been misrepresented, suggesting that the term "reproductive healthcare" could not "possibly be read as promoting abortion as a means of family planning". But she clearly meant to take on the Vatican with two of her statements: that "morality becomes hypocrisy if it means mothers suffering or dying in connection with unwanted pregnancies and illegal abortions and unwanted children"; and that morality cannot "only be a question of controlling sexuality and protecting unborn life".

It is a false quarrel, because each side is attacking the other for a position which, in this conference at least, it is not attempting to defend. And a false alarm because the current prospect for world population growth is less catastrophic than the headlines suggest.

In an essay just published in the New York Review of Books, Prof Amartya Sen, a leading expert on the economics of famine, reminds us that the rate of world population growth has fallen in the last two decades from 2.2 to 1.7 per cent, and "is expected to go steadily down until the size of the world's population becomes nearly stationary".

The number at which it will eventually stabilise, around 10bn, still sounds alarmingly high. It is, but not - as many imagine - because most of those people will be hungry and poor: per capita incomes are rising and food is getting cheaper in those parts of the world where most of them are being born. The danger is the opposite: sooner or later most of them will be able to afford western lifestyles and consumption patterns, putting an unsustainable strain on the world environment.

That problem will not be solved by population control alone, but anything we can do to accelerate the fall in the birth rate should help to make it more manageable. But Prof Sen makes a strong case that coercive or "override" methods - those in which "the family's personal decisions are overridden by some agency outside the family" - are unnecessary and perhaps ineffective, as well as being inhumane. The fall in China's birth rate since 1979 may, he suggests, be due less to the authoritarian one-child policy than to "more collaborative and participatory" policies which have made education and jobs outside the home available to many Chinese women. The Indian state of Kerala, with 28m people, has reduced its birth and fertility rates below those of China without any state coercion. It is among the poorer Indian states (so economic growth is not in itself the solution, as is sometimes argued), but it resembles China in having "high levels of basic education, healthcare and so on". Most strikingly, it has higher rural literacy rates, male and female, than any Chinese province.

China and Kerala have the advantage of being neither Moslem nor Catholic. But the birth rate is also falling rapidly in Iran (where there is good basic healthcare, and the authorities came round to family planning in 1988) and in most of South America. The Tablet, the British Catholic magazine, even claimed last month, with a certain chutzpah, that because it favours women's education "the Catholic Church should be regarded as one of the most effective organisations in the world for reducing the rate of population growth". In other words, the Pope should be congratulated for educating his female followers to the point where they can ignore his advice.

Over the weekend, the threat of strike action was enough to win a 55 per cent pay increase for the unionised employees of Romania's public television station. Bulgarian trade union leaders may take industrial action in the autumn to protest at the government's austere social policies. And in Russia coalminers are threatening to go on strike because of month-long delays in the payment of their wages.

This rash of industrial action throughout eastern Europe signals a change in the role played by unions in the post-communist world.

In the initial rush to build market economies that followed the collapse of communism, unions seemed to be relegated to a bit part. But there are signs that post-communist trade unionism is now beginning to find its feet. "We are like a youngster learning very fast," says Mr Richard Falbr, president of CMKOS, the Czech trade union confederation.

The reformed former communist unions and those that have been set up more recently face an uphill struggle to win credibility with employers and workers in an uncertain economic climate.

Western trade unions would recognise the low prestige of many of their opposite numbers in the east and the concentration of their influence in a shrinking public sector. "Trade unionism has a bad image from the decades when it was just a transmission belt in the factory for [Communist] party instructions," says Mr Falbr. Even basic trade union concepts, such as "worker solidarity", have negative associations conjuring up the image of having to work an extra Saturday morning shift for some far-away, anti-imperialist struggle.

In Russia, where the unions have changed little since Soviet times, a recent poll found that 73 per cent of workers thought them ineffective at defending workers' rights. The existence of state-imposed income policies - in the form of limits on wages - in Russia and elsewhere in the region adds to the feeling that the unions make little difference in workplaces. And continuing rows between the old unions and the new reduce what little collective power the unions might be able to muster.

Moreover, the labour market shake-out - supported by most mainstream political parties - does not make fertile ground for trade unionism. Excluding Russia, where formal unem-

Eastern comrades strike back

Unions in the ex-Soviet bloc are regaining some vigour, say David Goodhart and Chrystia Freeland



Everybody out: a rash of industrial action in eastern Europe signals a change of role for the unions

employment is still less than 3 per cent, employment has fallen by an average of 20 per cent in the former eastern bloc in the past four years and average real wages in most countries are only now regaining their pre-transition levels. In Russia, Ukraine and some other countries of the former Soviet Union, they are still substantially below that level.

Despite guidance from western unions on recruitment strategy, unions remain weak to non-existent in the private sector, which now employs more than 50 per cent of workers in more advanced states such as Poland and Hungary. "Subject to state regulations, it appears that private employers can set pay levels, pay structures and employment conditions unilaterally," says a recent World Bank survey.

Mr Guy Standing, head of the International Labour Organisation's Eastern Europe unit in Budapest, says this is a worrying long-term trend. But there are countervailing factors - economic and political - which should ease his fears.

As big, strongly unionised plants are moved into the private sector through accelerating privatisation programmes, the union foothold there may strengthen. Thanks to the distribution of shares to workers in many countries, as part of the privatisation process, several large companies now have an important element of worker ownership. The better organised unions are exploiting that to influence management decisions.

Further, despite the free-market rhetoric of many governments, there are national tripartite commissions (governments, unions and employers) of varying influence in most countries. The newly elected Polish government has raised the status of its tripartite commission. Similarly, the left of centre government in Hungary wants to strengthen the voice of organised labour in revising the country's labour law.

In pay setting, too, union influence may be growing. Though their strength lies in

the public sector, unions may be affecting wage levels in the private sector. Mr Simon Commander of the World Bank says average wages in the two sectors are almost identical throughout the region, with the exception of Russia.

At workplace level, unions are scoring successes in some countries. Mr Christoph Drzewicki, a senior official of Solidarity, says the Polish union recently won an important recognition battle at Elgaz, a private sector heating company. He also points to the new co-operation between Solidarity and its ex-communist rival, OPZZ, in a strike, recently ended, at the Italian-owned Lucchini steel plant.

In Russia, unions may be weak but they remain relevant in millions of people's lives. The enterprise remains an important source of welfare services and even of food and housing, and in most big plants the unions are still allowed to play an important role by managers, who see maintaining high employment levels as a crucial part of their

job. The Russian Confederation of Trade Unions, with more than 80m members, lobbies alongside managers to maximise subsidies.

The mass membership and substantial resources of the unions also give them potential clout in a region where political parties have only tiny memberships. The percentage of workers in unions ranges from a low of about 40 per cent in Poland to a high of 75 per cent in Bulgaria.

The influence of unions in some pockets of the economy can be considerable. Workers in the Fiat and GM plants in, respectively, Poland and Hungary have also been asking for wages to be raised in stages to western levels. Most foreign employers expect wages to rise, given the proximity of much better-paid western Europeans.

In the Czech Republic, for example, Mr Falbr, the union leader, is pushing hard to lift wage levels. "At present our productivity is about one-third western levels, but our pay is about one-tenth western levels. That cannot last," he says.

Official Czech unemployment is lower than anywhere in the region apart from Russia. That is partly because wage and non-wage labour costs are lower than in Poland and Hungary (where non-wage labour costs are about 50 per cent of wages costs), unemployment pay is less generous, and there has been less corporate restructuring.

He rejects, however, the claim by union leaders elsewhere that the Czech unions are among the weakest in the region. "We may have been less militant, but we still have a lot of influence," he says, pointing to a successful lobby to reform a recent pension law.

In the long run, Mr Falbr would like to see Czech industrial relations following a German model of works councils in companies and union representation on company boards, but he recognises this is some time away. Others, such as Mr Drzewicki of Poland's Solidarity, suggest that the French model - with low union presence in factories and offices, but strong labour laws and an influential voice for labour at national level - is a more realistic long-term option.

Just as trade unionism in Asia has not followed practice in Europe or America, so in eastern Europe and the former Soviet Union a new model may emerge. Despite the tough times the unions are going through, one thing seems certain: they are here to stay.

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

UK ahead or alone in Europe

From Mr Richard Brown.

Sir, Whenever there is talk of a multi-speed Europe ("Europe at odds over integration", September 3/4) there appears to be an automatic assumption that the UK would be in the slow lane. To examine just two areas where the UK is often labelled a laggard: the UK has implemented more social and employment directives than any other member state, and is the closest to meeting the convergence criteria for EMU. The multi-speed approach is already a fact of European life, and its recognition is a pragmatic response to the challenges of enlargement. It is not the multi-speed approach which threatens the UK, but the danger that one of those speeds might be reverse. Richard Brown, deputy director general, Association of British Chambers of Commerce, 9 Tuford Street, London SW1P 3QS

From Dr Chris Terry.

Sir, "Two-speed Europe? The slow lane for Britain? Some analysts will feel the European issue is successfully marginalised. Of late, UK policy seems to proceed by an adroit isolation of others. In fact, the process is so subtle that we will shortly stand quite alone. And is this success?" Essexer Sir, 63, D-71087 Sindelfingen, Germany

High cost of legal monopoly

From Mr Greville Warwick.

Sir, If Lord Mackay is to consider the appropriateness of legal aid for the Maxwell brothers he should also consider the reason why otherwise very wealthy people cannot afford legal representation in Britain's courts ("Cheap ride on trial", August 30).

The truth is barristers and solicitors have exploited their

unique monopoly position to price everyone out of the market. Only government, with monopoly taxation powers, can provide the millions for fees.

Ian and Kevin Maxwell are entitled to expect a fair trial and fair, reasonable and controllable legal costs. Under present conditions that is not possible, so legal aid must continue to pour into the bottom-

less pit of lawyers' earnings.

This is now a serious political issue. How can it be that a single case and a mere handful of lawyers and their experts can mean financial wipe-out for most firms and practically all private individuals.

Greville Warwick, MCS, Leicester House, 46 Leam Terrace, Leamington Spa CV31 1BQ

Resources wasted through energy policy

From Mr D L Bulmer.

Sir, Mr David Porter's call for more competition in the European Energy market is to be welcomed (Letters, August 31).

However let us hope that moves to introduce more competition take account of the grave defects of energy deregulation as witnessed in the UK since electricity privatisation.

The UK experience has seen the introduction of a system that gave the generators a broad portfolio of generating plant but no guaranteed market and the regional electric companies secure markets but no plant. The commercial deci-

sions that stemmed from this - the dash for gas - effectively did for the UK coal industry because, although in the main cheaper than gas, the generators' mark-up rendered purchase from this source by the regional electricity companies unattractive.

Valuable coal resources and coal generating plant have been squandered on the back of this policy to the detriment of the consumer.

Similarly, let us hope that any moves to greater energy price transparency in the European Union allows for equal treatment between fuels, as compared to the UK situation

where the government's regime provides a substantial and anti-competitive subsidy to nuclear energy through the non-fossil fuel levy.

Indeed, this leads to the sad fact that the UK purchases French nuclear electricity at substantially higher costs to the consumer than would be the case without the non-fossil fuel levy.

D L Bulmer, president, British Association of Colliery Management, BACM House, 17 South Parade, Newcastle Demerston DN1 2DN

Drucker ideas not such a rosy prospect

From Mr Peter Kruger.

Sir, Perhaps Samuel Brittan has read something in Peter Drucker's latest venture, *Post Capitalist Society*, which I missed - as the conclusions which he draws from the work seem very optimistic ("Aim at the climate, not the

weather", September 5).

If Drucker is read in conjunction with *Beyond the Limits*, by Meadows and Meadows - inspired by the Club of Rome - the idea of market forces prevailing in a world where global communications has produced ungovernable and perhaps,

despite what Drucker suggests, unmanageable superstates is not such a rosy prospect.

Peter Kruger, Digithurst, Newark Close, Royston, Herts SG8 5HL

Body Shop: a cowardly attack, and a salutary experience

From Mr Michael P Day.

Sir, The Body Shop's commitment to environmental, animal welfare and conservation issues is well established. Is it not remarkable that, in a world so consumed by avarice and capricious self-interest, the US presumes to enlighten us with a piece of such pure altruistic delight?

John Entine's cowardly attack on the achievement of Anna Roddick (and Co) should be treated with contempt. The market has responded thus and rightly so.

The critically endangered Siberian tiger would be one step closer to the edge were it

not for the brave foresight and initiative of the Body Shop. A strange irony when a certain petroleum company of highly questionable environmental pedigree has all but discarded its tiger mascot on to the refuse tip of extinction.

Michael P Day, chairman of the board of The Tiger Trust, Chesham, Bucks HP8 4RG

From Mr Rupert Pearson

Sir, I refer to the letter from Mr Robin Bines and others ("Allegations against the Body

Shop lack any real evidence", September 1). The letter could well have been written by industry in response to the "unproven allegations and the facts blown out of all proportion" which are so often levelled by the environmental movement against sectors of manufacturing industry. It will perhaps be a salutary experience for the environmental movement to be subjected to the sort of treatment which it so often metes out to industry, frequently based on unproven allegations, selective "facts" and inaccurate information.

I congratulate you in having the courage to publish the

reports on the Body Shop which I have read with great interest. Perhaps it may lead to further critical questioning and challenges to other organisations parading their green credentials.

For too long, industry and others who contribute to the health, prosperity and the well-being of society, have been on the receiving end of unsubstantiated green claims without the green movement and its claims being subjected to the same scrutiny.

Rupert Pearson, 43 Stag Green Avenue, Hatfield, Hertfordshire AL9 5EB

FINANCIAL TIMES

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Wednesday September 7 1994

Optimists in Ulster

Mr John Major's cool reaction to the "complete" ceasefire declared by the IRA last week is finely judged. The prime minister's insistence on a copper-bottomed guarantee that violence has been permanently renounced is quite understandable. This is not a matter of mere semantics. As the Northern Ireland secretary, Sir Patrick Mayhew, has intimated, the use of the word "permanent" is of less importance than the desirability of extracting an undertaking from the military wing of Sinn Féin that it does not intend to take up arms again. Anything less would feed the suspicions of Ulster Unionists.

The anxieties of Irish nationalist politicians are all the other way. Rush to embrace Mr Gerry Adams, their actions suggest, or the peace will be lost. The president of Sinn Féin was seen by many only a week ago as the public face of a two-headed organisation steeped in blood. Now the time is asked to regard him as the man who talked the IRA into laying down its weapons. The Irish view, reflected in Washington, appears to be that that historic decision must be rewarded by at least the appearance of political momentum, or the conflict may be reignited.

Extraordinary scenes

Whatever its merits, this argument can be the only explanation of yesterday's extraordinary scenes in Dublin, when Mr Albert Reynolds welcomed Mr Adams, along with Mr John Hume, to discuss preparations for a "National Forum for Peace and Reconciliation". The Irish prime minister is undoubtedly devoted to ending the violence. So is Mr Hume, who as leader of Ulster's Social Democratic and Labour party has risked a great deal to bring the IRA/Sinn Féin into democratic politics. As to Mr Adams' commitment, the jury is still out.

In short, yesterday's apparent rift between London and Dublin need not damage the prospects for lasting peace. It could indeed be helpful. Nothing said by Dublin or Mr Adams will persuade the terrorists on the "loyalist" side to cease their murderous activities; what the British government says or does could be decisive. Each government must address its own set of intransigents according to

its own circumstances.

The British way is, rightly, to avoid euphoria within the first few days of an IRA announcement. Mr Major may be at odds with the ultra-unionists within his own party, but he has the support of Mr Tony Blair, who has moved Labour away from its pro-nationalist tilt, and, for the Liberal Democrats, their spokesman Lord Holmes. Backed by the two principal opposition parties, and his own cabinet, he should be able to resist the blandishments of well-meaning peacemakers in the US and Ireland.

Self-determination

Optimists may therefore regard the events of the past few days as constructive, provided that the terms of the Irish-British declaration issued at Downing Street last December are not breached. The essence of that important document is that the right to self-determination of the people of Ulster is recognised.

On this page Mr Enoch Powell writes of a conflict of nationalities; the declaration stands as a guarantee that the people of the six counties will be ruled under the British crown unless a majority of them freely consent to a change. In those circumstances there will be a united Ireland; otherwise not. If Sinn Féin rejects this, its entry into the democratic process will not be permanent.

Perhaps both sides, nationalist and unionist, need further coaxing before they will accept the merits of the declaration. This will require much talking. Fortunately, there is much that could be talked about. In the spirit of the Anglo-Irish agreement concluded by the then Mrs Margaret Thatcher, there is the prospect of allowing the people of Ulster to govern themselves, while reassuring the Catholic community that the old Protestant ascendancy would not be restored. In today's language, what is required is a series of agreements that would construct a relationship of variable geometry. An elected executive in Belfast could negotiate cross-border arrangements with Dublin. Both could do political business with London. The possibilities could be limitless. The risk is a collapse of the peace; the potential reward a permanent end to a long nightmare.

Mr Berlusconi's looming deficit

When Silvio Berlusconi promised voters an "Italian miracle" back in March, resolving a fiscal crisis was probably not what he had in mind. But a pain-free solution to Italy's structural debt problem would be just that. The world's financial markets are not looking for a miracle, but their lack of confidence will inflict its own pain if the government does not start being similarly realistic.

The Italian cabinet yesterday began the process of agreeing the details of the budget package it should present to parliament by the end of the month. Judging by some of the recent public squabbles between ministers, the negotiations over how to finalise the budget plan announced in July will not be peaceful. But the mood outside, among financial investors, is not tranquil either. Investors' lack of faith in the Berlusconi government's fiscal resolve has led to a steady rise in the gap between Italian and German long-term government bond yields. Italian long rates, now around 12 per cent, are some 470 basis points higher than German ones, compared to a gap of only 300 at the beginning of the year. Stock prices have caught the same malaise: the Milan stock price index has fallen more than 8 per cent over the past three months.

Italy, of course, is not the only country to have sparked financial market jitters in recent months. Indeed, at first glance the distrust of the markets seems overdue. The measures of fiscal retrenchment achieved by Mr Berlusconi's predecessors helped make Italy the only country in the Group of Seven, apart from Japan, to run a primary budget surplus in 1993. This meant that revenue exceeded expenditure by some 2 per cent of GDP, before deducting interest. Yet Italy's more profligate past, taken up with such payments, while the level of public debt, now the equivalent of more than 125 per cent of GDP, continues to rise.

Fiscal woes

It is not merely the size of Italy's debt problem that is concerning observers. Nor is it the usual fear, that the government will look to inflate away the debt.

Inflation has been subdued in recent months, and there is little to indicate that it will pick up in the near future. The Bank of Italy sent its own signal that it would not allow monetisation of the country's fiscal woes with its "prudent" interest rate increase on August 11. The action had a dual target, Mr Berlusconi and the markets. It certainly failed to reassure the latter: the lira promptly fell to further record lows against the D-Mark. But this was largely because it is not clear that the message to Mr Berlusconi has hit its mark.

Economic recovery

Though economic recovery is now well under way, its delay in arriving helped to send the 1994 budget deficit above its target level of L145,000bn. This means that the primary budget surplus for 1994 is likely to be well under 1 per cent of GDP, and the debt, once projected to stabilise in 1995, probably will not reach its peak until the following year at the earliest, at 130 per cent or more.

The government's long-awaited response to this, the deficit reduction plan aimed at saving L45,000bn over 4 years, is of the right order to keep the debt on its previously intended path. As yet, however, the plan has been uncomfortably short on detail, and what detail there is hints at one-off reactive measures, not the kind of systemic reform, above all of the bloated state pension system, which long-run fiscal health will require.

It would take some selling by the prime minister to convince a majority of the cabinet, and the public at large, of the need to return to these questions so soon after the pain of the last two years. The recovery is fragile, and Mr Berlusconi has made little effort to ready them for further sacrifice. Indeed, on economic matters, he maintains much the same determined stance against higher taxes that he used to win over voters on the campaign trail.

The contradiction between what he must do and what he seems willing to do is not lost on the financial markets. But falling investor confidence, by pushing up interest rates, can only make the gap wider, and the need to breach it even more urgent.

They sit, gleaming and humming, on the trading floor of every large bank in the world. They are consulted by traders before decisions are taken to buy and sell bonds or shares. They trace curves plotting the price of options, the financial contracts giving the right to buy and sell other securities. They are "black boxes", the high-powered computers that no large bank which trades securities can now afford to be without.

Software "models", run on these machines and used to analyse masses of data to predict prices, now have a substantial impact on financial markets. By telling banks which securities to buy and sell, at what price, they have become the new masters of many trading floors. But they are now set for even greater recognition. Central banks and other banking supervisors worldwide are working on plans to fix how much capital they need to keep in reserve to support their trading.

The implications are large. By accepting the use of banks' own models in a regulatory role, supervisors would be taking a big step towards a new form of oversight. Instead of the traditional close, human, examination of individual transactions, they would instead monitor the way in which banks use computers to control risk. They would do so as part of new capital requirements for trading activities.

The financial impact of these new rules could be enormous. Since 1988, when the Basle Committee of international bank supervisors agreed the first global standards on capital needed to back lending, banks have built up stronger reserves. They have also cut the types of lending, such as loans to companies, which are rated as requiring a lot of capital under the Basle accord.

But the growth of banks' trading activities in the 1990s has been encouraged by the fact that they are not yet required to allocate any capital to cover the risks of trading in financial instruments. In practice the risk of default on securities is low – so that under Basle rules only minimal capital needs to be allocated. Yet banks risk losses from falls in the price of securities – as they found to their cost this year when European interest rates rose.

Supervisors have wanted to plug this gap since 1988. Their first effort to do so came 18 months ago when the Basle group published its "market risk" proposals. Supervisors say that these could add up to 1 per cent of capital to the average 8 per cent capital-to-assets ratio required for lending risks. This would have required big UK banks alone to hold a total of \$100m more capital, and could lead to banks restricting some forms of trading.

The original Basle proposals provoked alarm among banks. Instead of using what banks regarded as state of the art modelling methods,

John Gapper and Tracy Corrigan on the rise of in-house computers – rather than humans – as financial supervisors

Byte of the new bank managers



the Basle supervisors proposed a set of pre-determined rules to calculate capital requirements. Different products such as equities and bonds would be treated separately. In the case of bonds – a complex area – banks would have to allocate capital to cover their risk of loss in each of a set of 13 timeframes.

"The proposals came from an era when you added up positions on a piece of paper," says Mr Steven Helling, director of research at the State of New York banking department. "Banks had constructed ways [of using computers] to measure risk at no small expense, and it seemed as if they would get no recognition for that," says Mr Mark Brickell, head of derivatives strategy at US bank JP Morgan, which uses some of the most sophisticated computer models.

Such models have developed through necessity. Because the pricing of instruments such as financial derivatives – products that derive

their value from that of an underlying security or index – depends on mathematical theory, banks have to use models to understand them.

Banks now use models to measure the total risk of loss in trading portfolios. Mr Charles Taylor, executive director of the Group of 30, an association of senior bankers, says that models can not only aggregate different forms of risk but are "much more analytically rigorous than the old rules of thumb that bankers used to use".

Such arguments lay behind the banks' objections to using the Basle formulae instead of their computer models. They had two main complaints.

First, it would add to their costs. Although banks could re-write software to collect the data required by the Basle committee, it would not be simple. Models add together the risks of different products, and give an immediate, rounded picture of the total trading risk the bank is

running. "It is hard to collect extra data that puts a portfolio into different boxes," says one supervisor.

Second, by treating all banks equally, it might discriminate against the more sophisticated institutions. Banks argued that they would have to hold less capital if they had better risk management methods. This argument was received sympathetically by supervisors. "Standards of sound practice are moving forward all the time, and we want to encourage banks to be in the front line," says another bank supervisor.

These arguments persuaded the Basle committee to change its mind. At meetings in March and June, it decided to examine whether banks could use their own computer models as an alternative to the standard rules. The difficulty for supervisors is to construct a framework for approving computer models. If rival banks' models led to them allocating different amounts of capital for

the same trading activities, it would distort competition. Banks might also be able to rig their models to ensure that they needed less capital. A free-for-all of this kind would be very alarming for supervisors.

Supervisors have now drawn up a draft set of rules with which models would have to comply. This includes regulations on the number of years of past market movements against which banks' portfolios would have to be tested. Supervisors will shortly start testing models by running the same trading pattern through each model, and seeing if they produce a similar capital requirement. If they do not, the framework will be tightened.

There is no guarantee of success. The regulator which has come the closest so far to allowing the use of models to measure risk is the Securities and Futures Authority in the UK. But the SFA only allows models to translate financial derivatives into bonds and equities with comparable risks. These are then judged according to a set of rules similar to the original Basle list. The latest Basle approach is more ambitious.

Allowing the comprehensive use of models envisaged by bank supervisors would be tricky even if they were tried and tested. In practice, they are a recent innovation, and are still being developed. It is not clear that they can assess properly the risks of instruments such as options, the most complex form of derivatives. Some supervisors say options will have to be treated separately in new Basle proposals, which could undermine their coherence.

The supervisors are working against time. They would like to see common capital standards not only for banks across the world, but for both banks and securities firms. But capital requirements for European banks and securities firms have been set in the European Union's capital adequacy directive that will come into force in 1996. It could only be amended to fit with the Basle framework before then.

But probably the greatest challenge for bank supervisors is to ensure that they do not weaken management controls by allowing banks to use internal models. "It would be intolerable if a company started to market its models as 'central bank approved'," says a supervisor. "People get hooked on mathematics, but the most important thing is that the management understands what is going on."

Mr Tommaso Padua Schioppa, chairman of the Basle committee, admits that there is a danger that approval of banks' models will be misunderstood. "If internal models were accepted, it would not amount to a relaxation of supervisory standards. If there is a misunderstanding about this, it will have to be clarified," he says. Black boxes already rule some bank trading floors; supervisors will have to watch how their influence spreads.

Ulster – not an issue for compromise



PERSONAL VIEW

Peace is preferable to war, and partition is preferable to force. Those are truisms which politicians need to respect – as much as, or more than, anyone else. But those who voice doubts about so-called progress (progress to what?) being made as a result of the IRA ceasefire are not breaking that rule. They have solid reasons for their scepticism.

The beginning of wisdom in approaching Northern Ireland is to clear the mind of everything conjured up by the term "sectarian". If terminology there must be, it is not Catholics who are confronting Protestants – on that basis one could make no sense of the voting pattern at elections – but Irish nationalists confronting unionists. It is nationality, not race, not religion, which is at stake.

On the issue of nationhood – that is the question by whom are we to be governed – there cannot be peace through compromise or negotiation, and in Northern Ireland that is the great paramount issue. The British parliament ruled Ireland – or, what comes to the same thing, Ireland was ruled under the British parliament – from long before the parliamentary union of 1801 seated Irish representatives at Westminster. At the general election of 1918 the inhabitants of the north-east of Ireland continued to send representatives to parliament, while the inhabitants of the rest of the island refused. The south voted itself out. Just as surely, the so-called north, meaning the six counties of Ulster, voted to stay in.

That determination has not changed on either side since then. Listen to Gerry Adams, and you hear that. Look at the voting at general elections in Ulster, and you see that. The dispute is about nationality – about whom we are to be governed by. That is why it can only be ended if one side or the other is set upon giving way.

The impression that there has been a deal done in secret which has not yet been revealed is thoroughly logical. The unionist people

It is not Catholics who are confronting Protestants... but Irish nationalists confronting unionists

of Ulster are not fools. They know that what is at issue is an absolute, and they treat those, from the prime minister downwards, who talk about talks, about political progress, and about compromise and concession, as necessarily dishonest. Short of inventing a method

whereby "a man can serve two masters" there can be no peace in Northern Ireland so long as the right of the majority to their nationality is open to question. All down the years the perception that the British government really wanted rid of Northern Ireland has caused, maintained and fuelled violence.

The Irish nationalists are not fools any more than the unionists. They know that the ballotbox will not put them into the nation to which they claim to belong. Ergo alternative methods must be used to bring the desired result about.

The true disturber of the peace in Northern Ireland is the stance of British governments which have continually behaved as if they wished Ulster out of the UK. The Anglo-Irish agreement of 1985 was a prime example. Under it, Britain agreed to govern Northern Ireland only in combination with the Irish Republic.

Certainty as to the future is the precondition of peaceable living in Northern Ireland. The superficially hard-faced reassurance, in practical terms, that Northern Ireland belongs for good and all to the UK is the sole condition on which tranquility will return. In the end it may be hard to foresee the UK formally withdrawing from the citizens of the north-east of Ireland the right they have possessed from time immemorial to be governed within the UK.

The day is long past for looking for a wheeze to disguise or to deny that right. That way lies more bloodshed and not less.

J. Enoch Powell

The author, a Conservative cabinet minister in the 1960s, was Ulster Unionist MP for South Down for 13 years until 1987.

OBSERVER



"I've been using the male contraceptive pill again, Father"

was essential viewing.

Birt always required a fully drafted, painstakingly prepared script, right down to knowing exactly what every interviewee would say, before any filming happened. A good way of saving costly film stock, but obviously open to abuse. Say the authors: "This sometimes meant coaching [interviewees] in what they were supposed to be saying even if – as could happen – they had changed their minds... There were reliable pointers who would be prepared to come on at short notice and deliver the agreed formulae. Andrew Neil, then industrial editor of The Economist, was one."

Mission to refrain

A whole new media industry is threatening to explode – books about the British Broadcasting Corporation. A tantalising biography of John Birt, the BBC's director-general, should soon arrive.

Meanwhile, those needing a quick fix could do worse than dip into *The Battle for the BBC* by Steven Barnett and Andrew Curry, academic and former BBC hack, respectively. No major surprises or scoops, just a respectable analysis of the BBC's fate over the past decade.

But it has its nuggets. One delightful passage considers the Birtian "method", employed when he ran features and current affairs at London Weekend in the days when *Weekend World*

A taxing Olympian task

Among the aristocrats, military generals and multi-millionaires who grace the International Olympic Committee, Craig Reddie, a Glaswegian independent financial adviser, constitutes a breath of fresh air.

Better known to sportsmen as the chairman of the British Olympic Association, Reddie has just beaten runner-turned-MP Sebastian Coe to become the second Briton on the IOC (alongside the Princess Royal), replacing Dame Mary Glen Halse.

A law graduate from Glasgow University, Reddie has still been spending most of his time working for D.L. Rimmer & Partners, the firm he joined nearly 30 years ago, where he is now the partner flagging pension plans.

Not only because it means one persuasive salesman with less time to spend on your doorstep. More than most, he has been sensitive to the fragmentation of British sports administration. With his hugely enhanced kudos, he can surely win a more powerful role for the BOA.

Bungalow build

Clearly a quango that delivers what it promises, Britain's Housing Corporation, which has been having a reorganisation in its central

So what can one expect from Neil's latest exploit, namely his programme for Rupert Murdoch's Fox TV station entitled *Full Disclosure*?

Stamped out

When is freepost not free post? When it's Freepost. The Union of Communication Workers, which is being advised in its anti-privatisation campaign by Sir Tim Bell, has printed masses of postcards to distribute to the public, in the hope that UK trade and industry secretary Michael Heseltine will be sunk beneath a tidal wave of protest.

The cards go Freepost, but cost the union 20p a time. Which could get expensive – depending on how many actually get delivered.

Floating voter

And now, an example of the left hand not being entirely confident about what the right hand is up to.

Tsang Yok-sing, chairman of the democratic alliance for the betterment of Hong Kong (DAB) and one of the British colony's staunchest pro-Beijing politicians, has admitted that his wife and daughter have emigrated to Canada and that he too had considered jettisoning off.

The DAB is campaigning in current local elections with the slogan: "Stay behind and build

Hong Kong". Maybe the family went on an extensive recruitment drive...

Book squirm

A revolution is about to erupt in that normally placid market, dictionary publishing. Chambers is publishing an Encyclopaedic (sic) English Dictionary combining both lexical and encyclopaedic information and definitions. So "bonzer" (Australian slang meaning good) will nestle close to "Bosnia-Herzegovina" (Serbo-Croat for oh what an awful mess).

It must surely rank as one of the fastest-to-go-out-of-date publications in history. How long will "scurry" (US slang for filthy) or "humungous" (colloquial for enormous) last? But check out the entry for Macedonia. All it says on "economy" is "market gardening".

That's the spirit

The digital Population Clock installed in the foyer of Cairo's International Conference on Population and Development, which had been soaring by more than a person a second into the upper 5,666,900,000 as the conference opened, was suddenly blank yesterday.

It had apparently blown a fuse. Or was it the ghost of Thomas Malthus making its contribution to proceedings?

Arrest warrant issued for Mexican bank chief

By Damian Fraser in Mexico City

The Mexican government has ordered the arrest on fraud charges of Mr Carlos Cabal Peniche, head of one of the country's largest banking groups and of Del Monte Fresh Produce, the international fruit company once owned by Polly Peck International.

The finance ministry immediately took over Mr Cabal's Banca Creni and Banco Unión - which have combined assets equivalent to nearly \$11bn and deposits of \$9.8bn - and their subsidiaries, including a foreign exchange house, and leasing and factoring companies. It said the alleged irregularities suspected so far did not affect the banks' ability to meet their obligations, but all depositors would be protected under the law.

A government official said yesterday that Mr Cabal had not yet been apprehended, with reports circulating that he may be in Europe. However, the official said that four of Mr Cabal's senior executives had been arrested, and about 10 people connected to

Head of Del Monte Fresh group faces fraud charges

the case were in jail. The first casualty of the charges against Mr Cabal may be his intended purchase of Del Monte Foods, the San Francisco-based canned food company. In June, Mr Cabal and his investor group agreed to buy the US company for \$277m in cash and about \$700m in debt. However, according to Mexican government officials, the transaction has not yet been completed.

Mr Cabal had planned to remerge Del Monte Fresh and Del Monte Foods, which were split up and sold by RJR Nabisco of the US in 1989. Mr Cabal subsequently bought Del Monte Fresh Produce out of UK bankruptcy proceedings against Polly Peck.

Mr Pedro Aspe, Mexico's finance minister, announced on Monday night that the attorney-general's office had issued an arrest warrant against Mr Cabal, accusing him of having illegally lent himself money from his

banks to acquire various business interests. These loans, the ministry alleges, "represent serious allegations to the accounting of the bank and failure by the administration to observe basic banking practices".

Mr Cabal has risen from relative obscurity to run one of the country's largest business empires. He bought Banco Unión from the Mexican government for more than \$300m in 1991 and Del Monte Fresh for about \$500m in 1992, and last year took control of Banco Creni in a share swap with Mr Raymond Gomez Flores, who controls Dina, the truck company.

However, Mr Cabal is being sued by Eastbrook, a now defunct US trading house, which alleges that he defrauded it of \$70m of loans. Mr Cabal has vigorously denied these allegations.

Shock waves spread, Page 3

Card-size camera gives computer new image

By Alan Cane in London

British technologists have created what they claim is the world's first commercially available miniature video camera able to capture and incorporate images directly on to a portable personal computer.

The credit-card sized "PC Card Camera", developed by VLSI Vision (VVL) of Edinburgh, Scotland, and costing about £600 with connections and software, is seen as having widespread business applications in industries where employees use portable computers to collect information. Damage assessors working for insurance companies, for example, would be able to add photographic images of wrecked vehicles or property to their reports.

Mr Alastair Minty, the company's product manager, said the camera, available now, has been on trial with a number of large companies over the past few months.

In its present form, it can take single black and white snapshots or sequences of stills and incorporate them into documents on the computer screen. Mr Minty said that with additional software full motion video was possible.

The camera opens up new possibilities for companies with staff in the field who use portable computers. Images of individuals, documents and events can all be captured and recorded by the card camera and incorporated into reports. Outside its strict business applications, the camera has been used by golfers to analyse their swing.

Connected to a mobile telephone system, the card camera would make personal video conferences between the office and a field location possible. Mr Minty said the company would shortly be adding sound to the system.

VVL, formed in 1990 by Professor Peter Dwyer of Edinburgh University, and Mr Roy Warren, a Scottish computer engineer, has attracted attention for pioneering work in machine vision. It is credited with developing the smallest and cheapest video cameras on the market. It has also developed a system for recognising human fingerprints and a video camera on a single microchip selling for less than \$10.

Donnelly Corporation, a large US-based vehicle components manufacturer, holds a sizeable minority stake in the company. VVL is developing video systems for Donnelly that will eventually replace conventional car rear-view mirrors.

VVL's achievement in developing the card camera has been to integrate the electronics into a credit-card sized component called a PCMCIA card, an industry standard for portable computing.

THE LEX COLUMN Developing Kodak

The new Kodak is coming into focus. Yesterday's \$1bn disposal of its clinical diagnostics business is the group's third billion dollar-plus asset sale since June. Not only has Mr George Fisher, who took Kodak's helm last December, exceeded investor expectations by the speed with which he has shed its peripheral health care businesses, the prices achieved are also surprisingly good - no doubt helped by the current worldwide enthusiasm for acquisitions in the sector. So far, disposals have brought in \$5.6bn. L&F, Kodak's household products arm, is expected to realise a further \$2bn. The total proceeds will virtually wipe out Kodak's debt.

Mr Fisher now faces an even tougher challenge - expanding Kodak's core imaging business. That will determine whether it can shake off its reputation as a technological giant that lost its way. Mr Fisher, who in his time has worked at AT&T's Bell Laboratories as well as running Motorola, has sketched out an exciting vision of how Kodak can apply its photographic expertise in emerging multimedia markets.

Undoubtedly, image processing has a bright future, and Kodak has developed strong technological positions in fields such as image processing software and digital sensors. But the company has a poor track record in bringing such inventions to market. It also faces stiff competition, particularly from Japanese groups such as Fuji, Canon and Sony. The real test will be whether Kodak can put together alliances that provide it with access to additional technologies and markets. But given Mr Fisher's proven ability to spring favourable surprises, he deserves the benefit of the doubt.

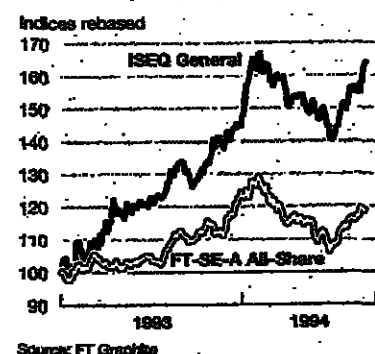
UK contracting

A note of despair tends to enter the voices of contracting industry bosses when they are asked where margins will improve. Mr Joe Dwyer of Wimpey put on a brave face yesterday but the best he could offer was that his contracting business would hold its own this year. Last year it made just £2.2m on turnover of £658.8m. The blind is that even if volumes pick up, there will still be too many companies bidding for the available work.

The recession has caused few casualties among leading companies, with several of the near-dead kept alive by their bankers. The barriers to entry are also low, thanks to the system of up-front payments which means con-

FT-SE Index: 3205.4 (-36.1)

Irish equities



Source: FT Graphite

driven by multinationals using Ireland as a base for exports. Yesterday's results from CRH, the building materials company, show that domestic demand is now starting to take over. Against that background the market looks cheap on a multiple of around 12 times this year's forecast earnings - even allowing for the large proportion of lowly-rated financial stocks in the market's capitalisation.

The lingering doubt is that a market driven higher by international capital flows must also be vulnerable to a sudden change of sentiment. A further appreciation of the Irish punt - perhaps beyond parity with sterling - would raise fears about competitiveness. Still, if peace in Northern Ireland gives international investors one less reason to take fright, the market's latest gains should be sustainable.

Bowater

For once, Bowater's managers were able to present a set of results without shooting themselves in the foot. Last time they reported, their unjustified pessimism about prospects for margins overwhelmed a good set of figures, sending shares tumbling 8 per cent on the day. In fact, fears that the company would prove incapable of passing on increases in raw material prices to customers proved, on the whole, unfounded. With hindsight, managers' undue gloom destroyed a premium rating.

Yesterday, the group lacked adequate ammunition to inflict such self-damage. The results, above expectations, contained scarcely a blemish. Margins reached a record high, and the company achieved double digit growth in sales, operating profits and pre-tax results. An upbeat chairman's statement completed the rosy package.

Equally significant in yesterday's 4 per cent rise in the shares - against a falling market - was the management's indication that Bowater had reached a strategic turning point. The company, managers indicated, will no longer expand through acquisition. Growth will be achieved organically and through cost-cutting. There may be some bolt-on acquisitions, but these are likely to be small and not to require equity funding. Given Bowater's privileged position in fast-growing niches and the absence of additional equity issues in the foreseeable future, the shares should prove attractive for those looking to switch out of cyclical companies and into growth stocks.

Currency

Continued from Page 1

nations committed to faster integration in the EU. The ruling Christian Democrat party and its CSU coalition partner proposed last week that the hard core should consist of France, Germany, Belgium, the Netherlands and Luxembourg.

France, Germany and the Benelux are often viewed as the most likely nucleus of the planned monetary union. But Mr Lamfalussy stressed it was too soon to predict which EU members would be ready to form a union by 1997 or 1999, the two dates named in the treaty.

Without mentioning Italy, Spain or the UK, the EMI president paid tribute to countries which seemed to have escaped "the infernal cycle of inflation", even while allowing their currencies to depreciate during the monetary upheaval of 1992-93.

This turbulence, which led to the widening of fluctuation bands in the European Monetary System in August 1992, appeared to be over, said Mr Lamfalussy. But he said the wider EMS bands should be preserved in order to defend currencies against speculative pressures.

Mr Lamfalussy said the Frankfurt-based EMI would be up and running by November. Its two main tasks were to set up the organisation of a European central bank, and to co-ordinate monetary policy during the preparatory second stage of Emu.

Anticipating criticism that the EMI's powers are limited in relation to national central bank governors and EU finance ministers, Mr Lamfalussy said: "There is no doctrinal conflict, there is no disagreement about the objective of price stability. It is a question of how to reach that objective."

US approves role of Russian troops in CIS states

By John Thornhill in Moscow, George Graham in Washington and Chrystia Freeland in London

Ms Madeleine Albright, the US ambassador to the United Nations, yesterday approved Russia's peacekeeping role within the Commonwealth of Independent States but stressed that it fell short of the best solution for settling disputes in the region.

Ms Albright also insisted "the burden of proof is on Russia" to demonstrate that what it sees as peacekeeping activities - sometimes described by leaders of non-Russian republics as a veiled form of neo-imperialism - are benign.

Ms Albright's qualified acceptance of Russian military presence in some of the former Soviet republics along its borders appears to give substance to an emerging "pragmatic" American approach to Russia.

The policy, articulated by Ms Albright during a tour through Moldova, Georgia, Armenia, Azerbaijan and Russia, appears to take a middle ground between US hawks wary of Russian neo-imperialism and those willing to grant Russia a free hand.

During her trip, Ms Albright spoke out sharply for the withdrawal of Russian forces from the European republic of Moldova, which borders Ukraine. But in Moscow yesterday she said the US would be prepared to accept the continued presence of Russian peacekeepers in the more

volatile republics in the Caucasus and central Asia.

She said that the newly independent states that "Russia has the resources, direct interest and the leadership required to help resolve the problems in this region", but warned "Russian policies and actions must reflect the fact that it is no longer surrounded by vassals, but by independent sovereign states".

Ms Albright, who is a member of President Bill Clinton's cabinet and National Security Council, said it would be preferable for the UN to police the trouble spots in the former Soviet Union but that this was impractical because of demands on its resources.

"Were it possible to have a normal peacekeeping operation I think we all agree it would be for the best. But one of the things I have learned in the past year and a half is that there are more peacekeeping options than peacekeepers. Peacekeeping is a new growth industry," she said.

Russian - and other CIS - forces have intervened to keep the peace in Nagorno-Karabakh, which is in dispute between Armenia and Azerbaijan, and in Georgia. But some local leaders have accused Russia of acting in its own national interests.

"The instability in Russia's 'near abroad' was highlighted yesterday as it emerged that 14 people had been killed and 46 wounded in a bomb blast in a marketplace in north-east Armenia.

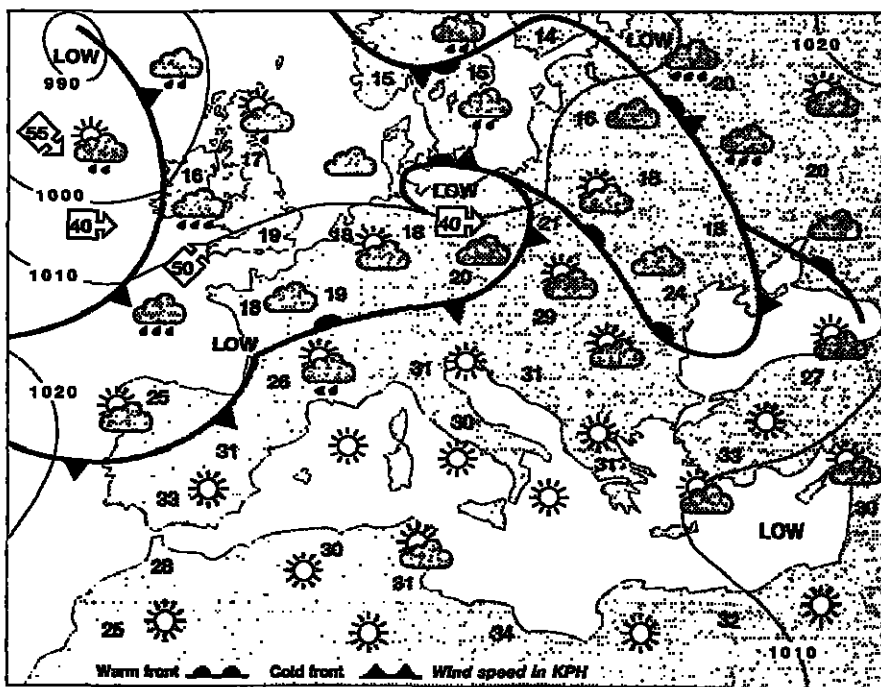
FT WEATHER GUIDE

Europe today

A strong low pressure area and its associated frontal zone north-west of the British Isles will bring persistent rain to western parts of the UK. Showers will linger in eastern parts of the UK and in the Benelux. Another frontal system, trailing from a smaller low over southern Scandinavia, will bring rain to northern Germany, southern Scandinavia, Poland and western Russia. Other parts of Russia as well as southern Germany and the northern Balkans will have cloud interspersed with sunny spells. Western France will be mainly cloudy with showers in southern sections. The Mediterranean will be sunny except for eastern sections. Temperatures will be around 30C but will reach 35C in southern areas.

Five-day forecast

Central Europe will become unsettled. France, and the Alps will have extensive rain with a risk of thunder storms. Heavy rain is also expected in southern Scandinavia towards the weekend, while central parts have strong easterly winds. Southern Europe will be sunny, but Italy will have thunder showers on Friday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Abu Dhabi	sun	38	Beijing	fair	27	Casaca	thund	30	Faro	sun	27	Madrid	sun	30	Rangoon	shower	30
Accra	cloudy	30	Bombay	shower	29	Caracas	sun	26	Frankfurt	cloudy	19	Manila	cloudy	29	Reykjavik	shower	13
Algiers	sun	30	Bombay	shower	29	Casablanca	sun	26	Geneva	cloudy	22	Manila	cloudy	30	Rome	fair	26
Amsterdam	cloudy	18	Bombay	shower	29	Cebu	sun	27	Gibraltar	sun	27	Manila	cloudy	30	S. Francisco	fair	23
Antwerp	cloudy	18	Bombay	shower	29	Colombo	cloudy	18	Hamburg	rain	15	Medford City	cloudy	20	Singapore	rain	29
Athens	sun	32	Bombay	shower	29	Dakar	sun	31	Helsinki	cloudy	15	Mexico City	cloudy	20	Singapore	rain	29
Atlanta	fair	29	Bombay	shower	29	Dhaka	fair	35	Hong Kong	thund	31	Miami	thund	33	Stockholm	rain	13
B. Aires	cloudy	15	Bombay	shower	29	Dubai	sun	40	Honolulu	fair	33	Milan	fair	27	Strasbourg	rain	21
Bahia	shower	18	Bombay	shower	29	Dublin	rain	13	Istanbul	fair	26	Montreal	shower	19	Sydney	fair	20
Bangkok	shower	33	Bombay	shower	29	Durham	fair	30	Jakarta	fair	31	Moscow	shower	20	Taipei	sun	28
Barcelona	fair	27	Bombay	shower	29	Edinburgh	shower	17	Jersey	shower	18	Munich	shower	24	Tel Aviv	sun	30
									Karachi	shower	33	Nairobi	cloudy	22	Tokyo	fair	28
									Kuwait	sun	43	Naples	sun	29	Toronto	shower	20
									L. Angeles	fair	25	Nassau	fair	25	Vancouver	shower	19
									Las Palmas	sun	28	New York	fair	26	Venice	fair	27
									Lima	fair	16	Nice	shower	26	Vina	fair	24
									London	shower	19	Oslo	cloudy	15	Warsaw	cloudy	20
									Luxembourg	cloudy	16	Paris	cloudy	18	Wellington	shower	8
									Lyon	rain	24	Peking	fair	18	Winnipeg	fair	25
									Moscow	sun	26	Prague	cloudy	21	Zurich	rain	21

We wish you a pleasant flight.

Lufthansa

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY

AUGUST 1994



HOLT LLOYD INTERNATIONAL

£72.9 million Management Buy-Out of the Holt Lloyd Group from The Morgan Crucible Company PLC

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Senior Debt arranged and underwritten by
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IN BRIEF

Axa pays FF1bn to UAP for Victoire

Axa, one of France's largest insurers, is expanding its European interests by buying Victoire Belgium from Union des Assurances de Paris (UAP) for FF1bn (\$188m) Page 18

Bowater expects further recovery
Bowater, the UK packaging and printing group, yesterday reported a recovery in important markets. Pre-tax profits for the six months to June 30 rose 2 per cent to £105m (\$168m). Page 18

Tiphook chairman's bank got £3.5m fee
Institutional shareholders are unhappy over a £3.5m (\$5.4m) payment which Tiphook, the debt-laden UK transport leasing company, made to a merchant bank in which Tiphook's chairman, Mr Rupert Hambro, has an indirect shareholding. Page 18

JCI posts strong rise
Johannesburg Consolidated Investments, the South African mining house, lifted annual attributable earnings by 73 per cent. It was the last annual result before the conglomerate's planned demerger. Page 19

Valeo advances to 27%
Valeo, the French vehicle components group, yesterday announced a 27 per cent increase in first-half net consolidated profit to FF487m (\$81m). In the first six months of this year it outperformed the rest of the French car components sector. Page 19

Wallenbergs eye the future
The Wallenberg family is entering a new phase after overcoming most of the debilitating effects of a long recession. They are looking to strengthen their presence in growth industries and are eyeing investment opportunities overseas. Page 20

Hopewell lifted by CEPA sale
Hopewell Holdings, the Hong Kong property and construction group, announced a 20 per cent rise in net profits to HK\$2.4m (\$310m) for the year to June 30. Page 22

IBM surges with demand for betting chips
Strong demand for replacement copper plumbing systems in eastern Germany and a surge in orders for betting chips from new US casinos set up on Indian reservations helped IBM, the UK international engineering group, lift first-half profits by 4 per cent in the six months to June 30. Page 24

Mamweb cuts workforce by 11%
Mamweb is cutting 500 jobs, 11 per cent of its workforce, in a move expected to save up to £20m (\$31m) a year by 1997. Page 26

£24m investment for Croda
Croda International, the UK chemicals and coatings group, yesterday announced plans to invest £24m (\$37m) to exploit rising demand for its speciality chemicals. Page 26

Wimpey confirms building revival
Wimpey, Britain's biggest housebuilder, yesterday confirmed that the housebuilding revival was still on track as it announced a recovery in the first six months of this year. Page 25

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Chief price changes yesterday

FRANKFURT (DM)		
AXA	1210	- 25
Bechtel	241.5	- 4
Boekals	278	- 14
Böhrner	278	- 22
Deutsche Bank	511	- 8
NEW YORK (\$)		
AXA	654	+ 74
Bechtel	94	+ 9
Boekals	114	+ 24
Böhrner	484	- 1
Deutsche Bank	744	- 1
Estates & General	824	- 14
PARIS (FF)		
AXA	385	+ 9.9
Bechtel	1210	- 25
Boekals	241.5	- 4
Böhrner	278	- 22
Deutsche Bank	511	- 8
TOKYO (¥)		
AXA	654	+ 74
Bechtel	94	+ 9
Boekals	114	+ 24
Böhrner	484	- 1
Deutsche Bank	744	- 1
Estates & General	824	- 14

LONDON (pence)		
AXA	452	+ 19
Bechtel	452	+ 19
Boekals	77	+ 44
Böhrner	220	+ 12
Deutsche Bank	452	+ 19
Estates & General	452	+ 19
Bechtel	452	+ 19
Boekals	452	+ 19
Böhrner	452	+ 19
Deutsche Bank	452	+ 19
Estates & General	452	+ 19

Kodak makes diagnostics disposal

By Tony Jackson in New York

Eastman Kodak, the US photographic products group, took a further step in its disposal programme yesterday selling its clinical diagnostics business to the US healthcare company Johnson & Johnson for \$1bn.

With the sale of its drugs business to Sanofi of France and SmithKline Beecham of the UK, the deal brings Kodak's total disposals since June to more than \$5.6bn.

The sale to Johnson & Johnson includes Kodak's chemistry-based

and immunoassay diagnostics products, which had sales last year of \$335m. Kodak's retention of its X-ray film-based diagnostic business, in which it claims world leadership, is in line with the strategy announced in May by new chairman, Mr George Fisher, of concentrating on its traditional strengths.

Johnson & Johnson, which two weeks ago announced the \$224m acquisition of the Neutrogena skin and hair care company, said the deal would make it the world's third biggest diagnostics company after Abbott Laborato-

ries of the US and Boehringer Mannheim of Germany.

The sale also brings Kodak's existing sales of diagnostics are just over \$700m. The Kodak business, which includes the diagnostics business of the UK company Amersham acquired in 1990, would continue to be run as a separate company, Johnson & Johnson said.

Mr Ralph Larsen, Johnson & Johnson's chairman, said "the acquisition will add important positions in clinical chemistry and immunoassays to our existing diagnostics business and significantly broaden our cus-

tomers base in the hospital central diagnostic laboratories".

The latest deal also brings Kodak close to its target of eliminating debt. Group borrowings at the mid-year stood at \$6.4bn, compared with the \$5.6bn of disposals announced or concluded since then. Kodak spent \$150m last month buying out its equal partnership in Qualex, the photo-finisher company.

Kodak shares were up 3% at \$50% at lunchtime yesterday, while Johnson & Johnson's were down 3% at \$49%.

Lex, Page 16

at around \$2bn - for the business as a whole.

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Kodak shares were up 3% at \$50% at lunchtime yesterday, while Johnson & Johnson's were down 3% at \$49%.

Lex, Page 16

LVMH enjoys the luxury of 35% profits advance

By Alice Rawsthorn in Paris

The buoyant state of the luxury goods market was highlighted yesterday by news that LVMH, one of the world's largest luxury businesses, increased net profits by 35 per cent during the first half of 1994.

LVMH, which will publish full interim figures later this month, confirmed that net profits had risen to FF1.38bn (\$238m) in six months, from FF935m in the same period of 1993. Sales rose 20 per cent to FF12bn.

The group affirmed that "if current trends continue" it was on course to achieve the target of 20 per cent net profit growth for the full year set by Mr Bernard Arnault, chairman. Analysts are expecting slightly higher figures.

LVMH, which has extensive interests across the luxury goods industry including Hennessy Cognac, Moët et Chandon champagne, Louis Vuitton luggage and Christian Dior cosmetics, has reported sluggish profits due to the depressed state of the fashion and cosmetics markets,

the crisis in the champagne sector and the Japanese slowdown.

LVMH said that its first-half profits increase was due to a stronger performance from all its interests and lower financial expenses.

Earlier this year LVMH announced that it was unravelling its cross-shareholding agreement with Guinness, the UK drinks group, significantly reducing its borrowings and cutting financial costs. Christian Dior is expected to stage a capital increase to finance the Guinness transaction.

Mr Arnault has made it clear that he plans to use LVMH's newfound financial flexibility to increase its luxury interests.

LVMH made its first acquisition by taking control of Guerlain, the fragrance house in which it held a minority stake.

However, Mr Arnault was foiled in his attempt to buy Van Cleef & Arpels, the Paris-based jewellers, by stiff competition from Chanel, the French fashion house, and Van Cleef was eventually taken off the market.



Arnault: on course for target

Judy Dempsey reports on German piano makers

In the heart of east Berlin the sounds of students practising their scales in the Hans Eisler music school are relayed by Mr Karl Schulze, manager of Bechstein, one of Germany's oldest piano manufacturers based in nearby Moritzplatz.

"The number of students now learning the piano at the music schools in Germany has increased from 100,000 in 1991 to over 140,000. People are rediscovering the piano again. This is good news for Bechstein," he said.

A year ago Bechstein was holding talks with liquidators. Its losses had exceeded DM1.5m (\$960,000) and the banks were unwilling to extend fresh credit. There were even fears that Zimmermann, the east German piano maker which Bechstein had purchased, would be the wall as well.

"I wanted to save Bechstein, revive its reputation and make the marriage with Zimmermann work. So I decided one of the ways to raise cash and get out of debt was to sell 6,500 sq m of our land here near Checkpoint Charlie to the Berlin Senate for DM20m," said Mr Schulze. Now Mr Schulze says his order books are full until the middle of 1995 and if all goes well, combined turnover this year will total DM28m with an expected profit of about DM1.5m.

Bechstein's turnaround from virtual collapse has been keenly watched by Germany's other long-established piano makers. All of them - Blüthner in Leipzig, Schimmel in Braunschweig and Steinway in Hamburg - were hit by the downturn, yet most agree that they are emerging from the recession much quicker than they had expected. This is despite a fall in total piano sales worldwide from a peak of 1.1m in the mid-1980s to about 600,000 in the early 1990s as well as competition from Japan and cheaper models, particularly from China and eastern Europe.

"We went through a bad patch during the recession," said Mr Wilhelm Nikolaus Schimmel, whose family company was founded in 1858 and today has a 11 per cent share of the German market. "In the mid-1980s we had an annual turnover of DM65m, two-thirds earned from exports. But sales fell to about DM47m in the early 1990s, and we were making heavy losses. We had to restructure."

"Three years ago, we employed about 520 people. Today, we have 260 people on our books. But we made one major decision. We were not going to compromise our quality. I think this has paid off."

Germany's piano manufacturers unanimously agree that their industry would not have recovered had it gone downmarket. "Japan is our major competitor," said Mr Schimmel. "But we had

Quality is the key to a more upbeat tempo

German piano market

Number of pianos			1992	1991
Production				
Upright	Grand	Total	20,054 3,410 23,464	22,532 4,732 27,264
Exports				
Upright	Grand	Total	11,133 2,253 13,386	16,828 3,129 19,957
Domestic sales				
Upright	Grand	Total	8,921 1,157 10,078	5,903 1,603 7,506
Imports				
Upright	Grand	Total	15,950 2,182 18,132	17,023 1,785 18,808
Total domestic sales				
Upright	Grand	Total	24,871 3,339 28,210	22,826 3,388 26,214

Source: Statistisches Bundesamt

to respond by continuing to provide high quality and design. This has what has underpinned Germany's piano tradition. If you change that you undermine your own reputation."

Mr Ingbert Blüthner-Haessler, manager of Blüthner, who was catapulted into the market economy after being subsidised by the east German state for more than four decades, said the recession made the industry more aware of marketing. "We had to live home the message that we are producing quality," he said. This year Blüthner, which exports 50 per cent of its 400 uprights and grands, expects to lift its turnover 10 per cent to DM5m which will allow it to enter the black.

Despite the revival in piano playing, not everyone can afford a Blüthner upright, which costs between DM16,000 and DM23,000, or a Steinway, whose grand pianos start at DM81,900. Mr Roger Willson, managing director of the UK-based Whelpdale, Maxwell and Codd, the piano manufacturers and the sole importer of Blüthner, said: "The recession had the effect of changing the habits of our customers. Parents either bought a cheap Chinese

piano - if you call £1,200 cheap - or opted for the second-hand market for quality pianos in which demand has increased sharply." Mr Willson now believes that worldwide sales will increase by about 4 per cent this year.

Steinway, which occupies the top end of the market, is surprised at the pace of recovery. "The recession forced us to cut back. And music schools had their budgets reduced - so they were not buying pianos. But we did not expect to come out of the recession so fast," said Ms Barbara Ascherfeld, Steinway's spokeswoman.

About half of Steinway's production turnover of 1,200 units (1,000 grands and 200 uprights) is earmarked for music conservatories and the rest for individuals. About 30 per cent of its grand pianos are exported to Japan. Steinway recently made a special contract with its trade union so that its employees can work longer hours to meet demand.

Mr Schimmel and his colleagues believe the German piano industry and the west European market is finally stabilising. "But," warned Mr Schimmel, "the lesson we learned from the recession is that you cannot make short-cuts with quality."

NYSE members incur loss in quarter

By Patrick Harverson in New York

The New York Stock Exchange said yesterday its member firms which do business with the public lost \$40m after tax in the second quarter, a sharp decline from the \$1.5bn profit in the same quarter of 1993 and the \$852m profit recorded in the first three months of this year.

The results were achieved on total revenues of \$16.4bn, down from \$17.9bn a year ago. For the first six months, NYSE member firms earned an after-tax profit of \$448m, compared with \$3bn earned in the first half of 1993.

The data, which covers the big Wall Street firms' domestic activities, is the latest illustration of how rising US interest rates have disrupted financial markets and undermined earnings in the US securities industry.

The losses among NYSE members were not entirely widespread. Of the 302 firms which reported to the exchange, 200 together made a profit of \$888m. Those gains, however, were overshadowed by the losses of 102 firms, which totalled \$1.5bn.

The NYSE does not provide a breakdown of its members' results, but they include revenue from sources, such as proprietary trading, interest and commissions.

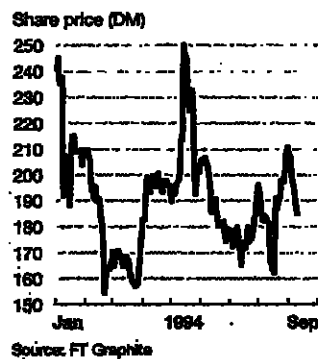
Based upon the individual results of the biggest publicly-quoted securities houses, the worst-hit area has been trading, where falling bond prices and volatile currency markets have left many big firms nursing sizeable losses in recent months.

Although Wall Street has also suffered from a sharp downturn in underwriting activity, as rising interest rates and falling share prices have deterred many US and foreign companies from raising funds on the capital markets, results from this area do not show up in the NYSE figures.

In spite of the problems at the big stockbroking firms, the NYSE's "specialists", the firms which exclusively buy and sell shares for brokers and their clients on the exchange's trading floor, were still profitable during the second quarter, earning \$29m after tax.

Traditionally, specialists can make money in a declining market because their marketmaking commissions remain buoyant, and because they still earn a profit on price "spreads" - the difference between the buying and selling price of shares.

Metallgesellschaft



Source: FT Graphics

Shares in Metallgesellschaft, the ailing German metals, engineering and chemicals group, fell sharply yesterday as investors reacted with confusion to reports of possible moves to strengthen its share capital.

There was also concern about the likely extent of further restructuring, especially on the non-ferrous metals smelting side. Shares in the company, which came close to collapse last year after huge losses on US oil futures trading, closed DM16 lower in Frankfurt at DM164.

Metallgesellschaft said on Monday night, after a supervisory board meeting, that last week's deal releasing it from controversial oil refinery contracts with Castle Energy of the US meant it would need to set aside more than the earlier planned DM1bn (\$641m) to cover losses. Yesterday, the company said it was talking with shareholders and creditor banks about improving its capital structure, but gave no details. It made clear, however, that the process would take time, with any decision to be put to the annual meeting next March.

The market was unsettled by discussion of a possible reduction in the company's share capital - totalling 14.4m shares with a nominal value of DM720m (worth DM2.65bn at yesterday's share price) - followed by a rights issue. "This would have a huge negative psychological impact," said Ms Lynn Reinhardt, a Frankfurt analyst for Barclays de Zoete Wedd, the UK investment house.

Metallgesellschaft also said on Monday that operating profits could exceed DM100m this year. But analysts said the outlook

remained too uncertain for clear investment judgments.

"There is at least one further step to go on the smelter side," said Mr Michael Geiger, an analyst at NatWest Securities in London. "It's not yet the end of the total restructuring and potential disappointments."

The company's statement also referred to an agreement in principle for the sale of its headquarters in central Frankfurt. It is believed that Deutsche Bank and Dresdner Bank, the two main creditor banks, are negotiating to acquire the property - unofficially estimated as being worth some DM750m - to use or sell for development.

This solution would speed up the sale, expected to be concluded this calendar year, and enable the proceeds to be booked retrospectively to Metallgesellschaft's accounts for the financial year ending in September 1994.

Also awaiting conclusion is the sale or placement of the 47 per cent of Kolbenschmidt, the motor components manufacturer.

Associated British Foods plc

Re-organisation of the share capitals of
Associated British Foods plc,
George Weston Holdings plc
and
Wittington Investments Limited

Robert Fleming & Co. Limited

acted as financial adviser
to Associated British Foods plc

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August 1994
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INTERNATIONAL COMPANIES AND FINANCE

Axa pays UAP FFr1bn for Victoire Belgium

By Alice Rawsthorn in Paris

Axa, one of France's largest insurers, is expanding its European interests by buying Victoire Belgium from Union des Assurances de Paris (UAP) for FFr1bn (\$185m).

UAP acquired Victoire Belgium last year as part of a complex deal which gave it control of the international activities of Victoire, the Paris-based insurer then owned by the Suez group.

The bulk of Victoire's domestic business has since been sold by Suez to Commercial Union, the UK concern, as part of the ongoing restructuring of the European insurance industry.

Axa, which trails UAP as the second force in French insurance, has been steadily expanding its international interests. It already has a presence in the Belgian market through its Axa Belgium and Mutuelle Patronale subsidiaries, which had combined turnover of FFr2.35bn in 1993.

The acquisition of Victoire Belgium, which commanded an estimated 1.3 per cent of the Belgian insurance sector with 1993 turnover of FFr920m, should raise Axa's share of the Belgian market to around 5 per cent.

It will still lag UAP which, even after this latest disposal, remains the number two insurer in Belgium, through its Royale Beige subsidiary. That

business had turnover of FFr9.3bn last year.

VicLife, the Luxembourg subsidiary of Victoire Belgium, has been exempted from yesterday's transaction.

Instead of going to Axa, it will become part of the Royale Beige group, raising UAP's profile in Luxembourg by lifting its annual sales to around FFr190m.

Axa and UAP are still intent on pursuing further international acquisitions. Axa yesterday announced it was poised to clinch a deal to buy the The Wing On Life Assurance Company in Hong Kong.

UAP has expressed interest in Asia, but is also seeking a non-life insurer in the UK.

Two banks bid for Poland's Interbank

By Christopher Bobinski in Warsaw

Deutsche Bank and ABN Amro of the Netherlands have made separate bids to purchase Interbank, an ailing private Polish bank, in response to the country's central bank policy of attracting strategic foreign investors to strengthen private and state sector banks.

The two banks are insisting on a 100 per cent takeover of Interbank, which is currently managed by the central bank following a 80bn zloty (\$3m) rescue package involving a bond purchase.

Deutsche Bank and ABN Amro are among 10 foreign banks, including Chase Manhattan, which have applied to open wholly owned subsidiaries in Poland.

However, the central bank has stopped issuing new licences to local or foreign banks in order to encourage banking rationalisation through takeovers.

Deutsche Bank has had a representative office in Warsaw since the autumn of 1989, while ABN Amro is a shareholder in the IBP Bank, a joint venture with Credit Lyonnais, the Banca Commerciale Italiana, the International Finance Corporation and two local banks.

The central bank has made an exception for Dresdner Bank and Banque Nationale de Paris, whose joint application to open a subsidiary in Poland has been accepted and is awaiting finance ministry approval.

Dresdner played an important role in Poland's debt reduction talks with the London club of commercial bank creditors, as head of its steering committee, and the approval is seen as recognising the German bank's contribution to the deal. Due to be signed next week, it will reduce Poland's \$14bn commercial debt by almost 50 per cent.

Poland last issued a foreign banking licence three years ago. Nine banks, including Citibank Creditanstalt, operate in the country as wholly owned subsidiaries.

Bowater ahead 15% at six months

By Neil Buckley in London

Bowater said yesterday that a recovery in its packaging and printing businesses, with higher raw materials prices largely being passed on to customers, had helped it achieve a 15 per cent rise in pre-tax profits before exceptional items.

Headline profits at the UK group for the six months to June 30 increased to £105m (\$182.75m) from £103m - at the top end of expectations. But after exceptional gains of £2m last year, and a loss on disposals of £4m this year, the underlying increase was to £108m from £95m.

Mr David Lyon, chief executive, said an upturn in demand in the US, UK and some continental European markets had led to price rises for Bowater's main raw materials - paper, and resin for plastics of about 20 per cent between April and June.

"We have generally been able to pass these increases on to customers, although there are some timing delays," Mr Lyon said.

He added that raw material prices were expected to increase by up to another 10 per cent by December, with shortages of some commodities forecast, although prices remained about 25 per cent below their peak in the late 1980s. This was likely to lead to a further improvement over last year's results in the second half.

The positive outlook - which contrasted strongly with Bowater's downturned assessment of future trends after strong results a year ago - lifted Bowater's shares 19p to 422p. Mr Lyon said Bowater's acquisition of healthcare packaging manufacturers DRC and Cope Allman in 1992, and of Specialty Coatings International last year, had given it



David Lyon: increase in raw material costs passed on

critical mass in several target markets with strong growth opportunities, and Bowater was now concentrating on organic growth and developing synergies between businesses. Group turnover increased 14

per cent to £1.16bn, with the group operating margin up from 8.8 per cent to a record 9.2 per cent.

After a difficult second half last year, the packaging and print businesses staged a recovery with sales up 3 per cent to £560.7m, and operating profits of £48.8m almost matching last year's £50.9m.

The acquisition of SCI greatly increased the contribution from Bowater's coated products division, with sales up from £194.2m to £280.3m, and operating profits from £22.5m to £32.7m.

Both sales and profits also increased in Bowater's building and engineering businesses, and its tissue business in Australia.

Earnings per share, including exceptional items, rose from 12.3p to 14.2p, and the interim dividend is up 9 per cent from 5.3p to 5.8p. *Lex, Page 16*

Tiphook head in fresh row

By Andrew Bolger in London

Institutional shareholders are unhappy about a £3.5m (\$5.35m) payment which Tiphook, the debt-laden UK transport leasing company, made to a merchant bank boutique in which Tiphook's chairman, Mr Rupert Hambro, has an indirect shareholding.

Mr Hambro, a non-executive director of Tiphook since 1990, took over as interim non-executive chairman in March. He will step down this month, although he will continue as non-executive director.

His family company has a minority stake in J.O. Hambro Magan, which received its fee for advising on the recent £722m disposal of Tiphook's containers division, which saved the group from collapse. A leading institutional fund

manager said that, as a matter of policy, he did not like to see non-executives involved in a financial advisory role.

Tiphook said Mr Hambro had no executive role in Hambro Magan, which had fully earned its fee by introducing the group to the eventual buyer of the container division, Transamerica, the US financial services group. The entire transaction had been supervised by the group's non-executive directors, merchant bankers and lawyers.

Mr Alton Irby, deputy chairman of Hambro Magan, said: "We identified Transamerica, brought the deal to the table and negotiated one hell of a price. At least for now, we've saved the company. In one way, one wonders if we got enough."

Mr Hambro, who was paid

£52,000 by Tiphook last year, has already been at the centre of controversy in his role as chairman of Tiphook's remuneration committee. There was an outcry last month when the group's annual report revealed that directors saw their total remuneration increase from £3.96m to £6.41m in the year to April, a period in which Tiphook reported a pre-tax loss of £331m.

Mr Robert Montague, chief executive, was the highest-paid of the directors, with a bonus of £250,000 which helped push his pay from £1.17m to £1.34m. Mr Montague, who recently stepped down as chairman, agreed to a substantial cut in pay, from an £816,000 package to £200,000 as of March, but will receive a total minimum bonus of £250,000 over the next five years.

German railway sells bank stake

DG-Bank is to buy a majority stake in Deutsche Verkehrs-Bank from Deutsche Bahn, the German railway. Reuter reports from Frankfurt.

Deutsche Bahn said it had reached a basic agreement on the transaction with DG-Bank but their supervisory boards and the Federal Cartels Office had yet to approve the deal.

The railway declined to reveal the purchase price. It owns 65.1 per cent of Deutsche Verkehrs-Bank, and is selling 50.1 per cent to DG Bank and 5 per cent to Sparda, the German savings and loans group.

Deutsche Bahn will retain a 10 per cent stake in Deutsche Verkehrs-Bank, the railway said. The Sparda group already

owns 10 per cent of Deutsche Verkehrs-Bank. The remaining shares are widely distributed.

"The sale is part of the railway's policy of concentrating on its core business," a Deutsche Bahn official said.

Deutsche Verkehrs-Bank mainly operates foreign exchange booths at railway stations.

This announcement appears as a matter of record only.



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Dresdner Bank Luxembourg S.A.

Kredietbank N.V.

Banca di Roma

Banco di Napoli International S.A.

Banque et Caisse d'Épargne de l'État Luxembourg

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August 1994

Argus Fundamentals

"Understand what is driving oil prices"

Petroleum Argus

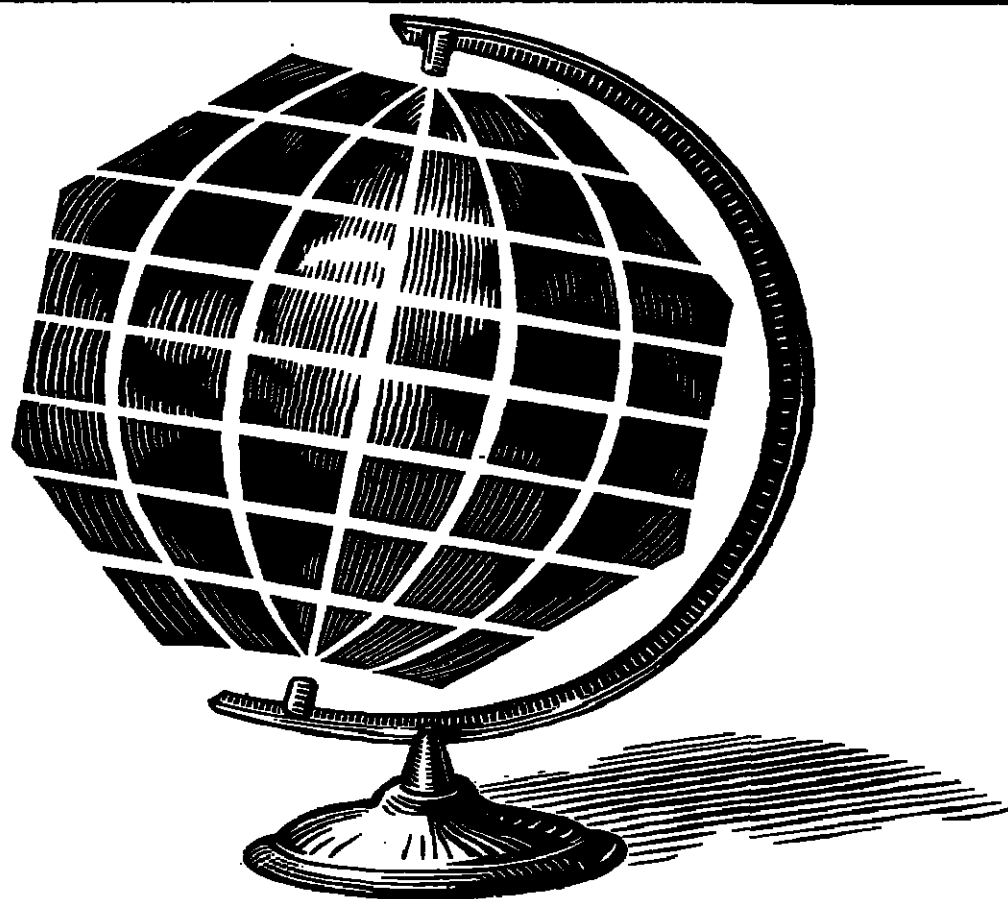
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JCI posts strong rise ahead of planned demerger

By Mark Suzman
in Johannesburg

Johannesburg Consolidated Investments, the South African mining house, boosted attributable earnings by 73 per cent to R748m (\$165m) in the year to June, from R433.2m a year ago. It was the last annual result before the conglomerate's planned unbundling into three separate companies early next year.

Group turnover rose to R2,922m, up from R2,638m a year ago, and the dividend was raised to 200 cents, up from only 150 cents last year.

Although the results were helped by R94.5m from the sale of Argus Newspapers to Mr Tony O'Reilly's Independent Newspapers, equity-accounted earnings before extraordinary items advanced 67 per cent to R912.9m from R552.4m.

The company has also decided to reverse its decision to write off R138m of its investment in the El Dorado Gold Mine after a sharp improvement in the mine's prospects during the past year and its successful raising of R284m in fresh capital.

Following last year's tax credit of R20.8m, tax paid rose to R82.5m on the year.

Earnings from platinum

holdings, which include the world's largest platinum mine, Rustenburg Platinum, rose to R114.5m from R85.4m, while gold benefited from an improved price to more than double earnings to R33.8m from R24.8m.

The group, which last week lost out in the bid to buy Randco, reported that coal earnings rose substantially to R22m from R1.8m. Diamonds also had a good year, with earnings rising to R104.2m from R79.2m.

Mr Pat Retief, chairman, said he expected all sectors of the company to continue to perform well after unbundling.

Under the plan announced by JCI's leading shareholder, Anglo-American, the platinum interests would be retained by Anglo-American while its diamond interests would be bought by De Beers.

The rest of JCI would be divided into a mining company, comprising primarily JCI's gold interests, and an industrial holding company, both of which are due to be offered to black investors.

Although the transaction requires changes to legislation before it can be approved by shareholders, Mr Retief said he hoped final unbundling would take place early next year and be completed by April 1995.

Générale de Banque up 8% halfway

By Lionel Barber in Brussels

Générale de Banque, Belgium's biggest bank, yesterday announced net profits 8.6 per cent higher at BFr6.3bn (\$197m) for the first half of 1994.

The rise compared with BFr5.8bn in the first six months of last year. However, the 1993 half-year results included an exceptional gain of about BFr2bn, following the sale of shares in ABN Amro, the big Dutch bank.

As a result, Générale de Banque said that the improvement in 1994 was significant.

Gross profit was BFr21.25bn, a decline of 7.7 per cent. Analysts interpreted the fall to the failure to repeat the strong capital gains achieved on government bonds in 1993, as well as the exceptional capital gain on the ABN Amro shares.

However, write-downs and provisions were down by 31 per cent to BFr6.7bn. Total assets were up 8.5 per cent to BFr3.939bn.

'Natural' keyboard from Microsoft

By Louise Kehoe
in San Francisco

Microsoft, the world's largest publisher of personal computer software, has launched an ergonomically designed "natural" PC keyboard to help users avoid the dangers of repetitive stress injuries.

Microsoft makes no claims that the keyboard will cure or prevent any form of RSI. Labels, affixed to the cable linking the keyboard to a PC

and to the bottom of the keyboard, warn users that "Continuous use of a keyboard may cause Repetitive Stress Injuries or related injuries". Similar warning labels were recently introduced by Compaq, the world's largest PC manufacturer. The labels are seen as a move by the companies to avoid liability for future injury claims.

Already, over 2,000 injury lawsuits have been filed against computer manu-

facturers in the US.

The new Microsoft keyboard, which will be available worldwide next month at a price of around \$100, is designed to allow users to maintain a more relaxed, natural position while typing. It can be plugged into any PC that runs Windows 3.1 or more recent versions of the Microsoft software.

The keyboard is designed to encourage users to maintain a straighter wrist position - avoiding one of the most com-

mon causes of discomfort and injuries.

Microsoft will also provide an "ergonomics guide".

"In the last 10 years, computers have dramatically changed the workplace and the ways in which people perform their jobs," said Rick Thompson, manager of the hardware business unit at Microsoft.

"Yet in that time, the design of the computer keyboard has remained virtually unchanged."

Multimedia link with publisher

Microsoft, the leading supplier of personal computer software, has formed a partnership with The Reader's Digest Association to develop and publish multimedia software for home computer users, writes Louise Kehoe.

They will both market a CD-Rom (compact disc read-only memory) based on editorial content from Reader's Digest's best-selling books.

Microsoft will have worldwide retail rights to the product. Reader's Digest will sell the CD-Rom through direct mail.

The deal reflects the growth of home computer sales and surging sales of CD-Rom software. In the first quarter of 1994, global CD-Rom sales totalled \$136m, up 368 per cent from the first quarter of 1993, according to the Software Publishers Association.

The Microsoft-Reader's Digest title, due for release in the second half of 1995, will be based on Reader's Digest reference books.

McCain family's public feud intensifies

By Robert Gibbons in Montreal

The McCain family is again fighting in public over the future of its Canadian-based frozen foods group, McCain Foods.

Earlier this year a New Brunswick judge tried in vain to mediate in the feud between Mr Harrison McCain, 68, and his brother Mr Wallace McCain, 64, co-chief executives and architects of the company's 35-year growth.

The shareholders, comprising 30 family members, were to vote on September 13 on a board resolution ousting Mr Wallace McCain. At issue is which branch of the family will eventually assume company leadership.

Last week Mr Wallace McCain's sons Michael and Scott, both company directors, went to court to have the resolution overturned. They argued it violated company by-laws and any such change would

require a two-thirds boardroom majority. They claimed the Wallace McCain family had been "excluded from full and meaningful participation in McCain Foods affairs".

Mr Harrison McCain replied swiftly. In a public statement he said the succession issue and whether to take the company public and appoint an outsider as chief executive - as suggested by the judge last summer - should be decided only by the shareholders.

"There is no magic and if shareholders representing a majority of the company's stock want a new chief executive, they will have one," he said. "In the McCain family, the shareholders must rule and the will of the majority must be respected."

Mr Andrew McCain, chairman, said the board would fight the lawsuit launched by Mr Wallace McCain's sons but would go ahead with the September 13 directors' meeting.

Overseas growth helps Valeo to advance 27%

By David Buchan in Paris

Valeo, the French vehicle components group, yesterday announced a 27 per cent increase in first-half net consolidated profit to FF449m (\$68m) on turnover which rose by 10.5 per cent to FF11.7bn.

The results confirm Valeo as one of France's more successful companies.

In the first six months of this year it was able to outperform the rest of the French car components sector by growing faster in the rest of the world.

Turnover advanced 7 per cent in Europe, roughly in line with the general increase in car sales, but by 10 per cent in North America and 30 per cent in Asia.

As a result, Valeo made 59.1 per cent of its sales outside

France in the first half of this year, compared with 56.5 per cent in the same period of 1993.

The company said it had increased gross margins, operating income and net profit, in spite of a rise in its tax rate, increased spending on R&D and capital equipment, and unchanged restructuring charges.

It also increased its foreign investments by nearly 10 times, to FF430m in the first half by acquiring Borg Instruments in Germany and taking majority stakes in new subsidiaries and joint ventures in Argentina and China.

With stronger cash flow and a capital increase, Valeo's debt to equity ratio stood at 5 per cent by the end of June, compared with 14 per cent last December and 28 per cent a year earlier.

DEALS DONE IN THE FIRST 6 MONTHS OF 1994 FURTHER PROOF THAT ABN AMRO DELIVERS.

<p>EUROFIMA European Company for the Financing of Railroad Rolling Stock NLG 400,000,000 7% Bonds 1994 due 2001 Lead Managed by ABN AMRO Bank N.V.</p>	<p>KfW International Finance Inc. Can. \$500,000,000 8% Guaranteed Notes due 1999 Lead Managed by ABN AMRO Bank N.V.</p>	<p>KREDBANK INTERNATIONAL FINANCIAL INC. Can. \$500,000,000 8% Guaranteed Bonds 1994 due 1999 Lead Managed by ABN AMRO Bank N.V.</p>	<p>Océ van der Grinten N.V. NLG 150,000,000 4% Convertible Subordinated Bonds 1994 due 2001 Lead Managed by ABN AMRO Bank N.V.</p>	<p>Gist-brocades Koninklijke Gist-Brocades N.V. NLG 200,000,000 4% Convertible Subordinated Bonds 1994 due 2001 Lead Managed by ABN AMRO Bank N.V.</p>
<p>Koninklijke Volker Stevin N.V. NLG 75,000,000 5% Convertible Subordinated Bonds 1994 due 2002 Lead Managed by ABN AMRO Bank N.V.</p>	<p>Tate & Lyle International Finance PLC £200,000,000 8% Guaranteed Bonds due 1999 Lead Managed by ABN AMRO Bank N.V.</p>	<p>Unilever N.V. NLG 350,000,000 6% Bonds 1994 due 2004 Lead Managed by ABN AMRO Bank N.V.</p>	<p>Kingdom of Sweden NLG 400,000,000 5% Bonds 1994 due 1998 Lead Managed by ABN AMRO Bank N.V.</p>	<p>Koninklijke Nedderl. Indische Handelsges. op Staalfabriek N.V. NLG 300,000,000 4% Convertible Subordinated Bonds 1994 due 2001 Lead Managed by ABN AMRO Bank N.V.</p>
<p>NBM-Amstelland N.V. NLG 100,000,000 5% Convertible Subordinated Bonds 1994 due 2002 Lead Managed by ABN AMRO Bank N.V.</p>	<p>Gasunie N.V. Nederlandse Gasunie €125,000,000 4% Bonds 1994 due 1999 Lead Managed by ABN AMRO Bank N.V.</p>	<p>GE Capital General Electric Capital Corporation NLG 250,000,000 5% Notes 1994 due 1997 Lead Managed by ABN AMRO Bank N.V.</p>	<p>Mediloyd Koninklijke Mediloyd Groep N.V. NLG 499,269,000 4% Convertible Subordinated Bonds 1994 due 2001 Lead Managed by ABN AMRO Bank N.V.</p>	<p>European Investment Bank NLG 300,000,000 5% Bonds 1994 due 1999 Lead Managed by ABN AMRO Bank N.V.</p>
<p>Republic of Austria NLG 1,000,000,000 6% 30-Year Bonds due 2024 Lead Managed by ABN AMRO Bank N.V.</p>	<p>Rothschilde Comandita Finance (C) Limited £225,000,000 9% Perpetual Subordinated Guaranteed Notes Lead Managed by ABN AMRO Bank N.V.</p>	<p>BARINGS BARINGS plc £300,000,000 9% Perpetual Subordinated Notes Lead Managed by ABN AMRO Bank N.V.</p>	<p>KLM Royal Dutch Airlines 21,275,000 Common Shares Lead Managed by ABN AMRO Bank N.V.</p>	<p>Koninklijke Paknoed N.V. 2,600,000 Common Shares Lead Managed by ABN AMRO Bank N.V.</p>
<p>Koninklijke PTT Nederland N.V. Offer of 125,500,000 Ordinary Shares Offer Price NLG 49.75 per Share Lead Managed by ABN AMRO Bank N.V.</p>	<p>Pirelli Pirelli Tyre Holding N.V. Offer of 125,500,000 Ordinary Shares Offer Price NLG 49.75 per Share Lead Managed by ABN AMRO Bank N.V.</p>	<p>KBB N.V. Koninklijke Bijkorf 1,305,864 Ordinary Shares Lead Managed by ABN AMRO Bank N.V.</p>	<p>UNU N.V. Verenigd Bezi VNU 3,600,000 Common Shares Lead Managed by ABN AMRO Bank N.V.</p>	<p>Phinx N.V. Koninklijke Phinx 1,300,000 (Depository Receipts of) Common Shares Lead Managed by ABN AMRO Bank N.V.</p>
<p>Puerto de Ilo The underlying asset is the Puerto de Ilo Lead Managed by ABN AMRO Bank N.V.</p>	<p>Telcel Internacional US \$1,000,000,000 Synthetic Short Term Bridge Facility Lead Managed by ABN AMRO Bank N.V.</p>	<p>Hoogovens Groep B.V. Lead Managed by ABN AMRO Bank N.V.</p>	<p>Banco Comafi US \$100,000,000 91-Day Eurodollar Certificate of Deposit Lead Managed by ABN AMRO Bank N.V.</p>	

ABN AMRO Bank

PAN - HOLDING
Société Anonyme - Luxembourg
As of August 31, 1994, the unconsolidated net asset value was USD 356,640,271.45, i.e. USD 945.44 per share of USD 200 per value.
The consolidated net asset value per share amounted as of August 31, 1994 to USD 684.45.

The half-year report to June 30, 1994, which includes a brief review of the investment strategy for the first 6 months, is available at the registered office of the Company as well as at the "Société des Bourses de Luxembourg" and at the "Société des Bourses de France".

PAN-HOLDING S.A. - 7, Place du Théâtre - L-2673 LUXEMBOURG
P.O. Box No. 408 - L-2014 Luxembourg
TEL: (352) 48.24.01/02 - FAX: (352) 48.25.27

Banque Industrielle et Mobilière Privée
Société anonyme au capital de 501.518.400 F.
Siège social : 22, rue Pasquier, 75383 Paris Cedex 08.
RC Paris B 552 035 636

Notice to the bearers of BIMP CAC-40 Linked Zero Coupon Notes due 1994
Redemption Amount

The holder of the BIMP CAC-40 Linked Zero Coupon Notes due 1994 are advised that the redemption amount has been calculated by Bankam Trust International plc, according to the index published by the Société des Bourses de France. The above issue will mature at 121.65% of the principal on 5th September, 1994. The amount payable per FF 100,000 will be FF 122,65 and the amount payable per FF 100,000 will be FF 121,650. Payment will be made on 5th September, 1994.

7th September, 1994

HALFAX
£500,000,000
Floating Rate Notes 1999

In accordance with the provisions of the Notes, notice is hereby given that, for the three month period 5th September, 1994 to 5th December, 1994, the Notes will bear interest at the rate of 5.5417 per cent, per annum.

Coupon No. 3 will therefore be payable on 5th December, 1994, at £1381.63 per coupon from Notes of £100,000 nominal and £138.16 per coupon from Notes of £10,000 nominal.

S.G. Warburg & Co. Ltd.
Agent Bank

COMPAGNIE BANCAIRE
£100,000,000
Floating Rate Notes due 1995

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 2nd December, 1994 has been fixed at 5.6875% per annum. The interest accruing for such three month period will be £141.80 per £100,000 Bearer Note, and £14.18 per £10,000 Bearer Note, on 2nd December, 1994 against presentation of Coupon No. 9.

Union Bank of Switzerland
London Branch Agent Bank
2nd September, 1994

INTERIM REPORT

GT Chile Growth Fund Limited

The Board of Directors of GT Chile Growth Fund Limited announced on 2 September 1994 the unaudited results for the Company for the six months ended 30 June 1994. This is the fifth interim report of the Company.

Results for the six months to 30 June, 1994

	6 months to 30.06.94 US\$	6 months to 30.06.93 US\$	Year Ended 31.12.93 US\$
ASSETS			
Investments	474,207,180	305,108,298	413,862,451
Net current (liabilities)/assets	(5,140,002)	(378,641)	(7,220,594)
NET ASSETS	470,067,178	304,729,657	406,641,857
Issued shares	12,000,000	12,000,000	12,000,000
Net Asset Value per share:	\$39.17	\$25.39	\$33.89
INCOME			
Dividends and bond interest	8,682,706	10,614,216	16,589,305
Deposit interest	28,630	63,930	97,491
Management expenses	(8,711,358)	(10,678,146)	(16,686,796)
Profit before taxation	4,624,668	8,000,473	11,000,804
Chilean taxation	(622,342)	(1,033,240)	(1,603,006)
NET INCOME	4,002,326	6,967,233	9,397,798
Earnings per share	\$0.33	\$0.58	\$0.78
Dividend per share	\$0.60	\$0.60	\$1.20
- from earnings prior to 31.12.92	\$0.25	\$0.25	\$0.30
- from earnings subsequent to 31.12.92	\$0.35	\$0.35	\$0.70

Analysis of the Portfolio

	30.06.94 %	30.06.93 %	31.12.93 %
Chilean equities	95	88	96
Chilean bonds	5	12	4
Net current (liabilities)/assets	(1)	(2)	(3)
	100	100	100

An interim dividend was declared of \$0.60 per share. In accordance with the previously announced distribution policy, \$0.25 per share relates to the period from the inception of the Company in February 1990 to 31 December 1992, the earnings of which are being distributed in eleven equal instalments between March 1993 and March 1998. The balance of the dividend of \$0.35 is to be paid out of earnings accumulated since 31 December 1992. The dividend, amounting to \$7,200,000, will be paid on 6 October 1994 to Shareholders of record on 2 September 1994.

In the six months ended 30 June 1994, the net assets of the Company increased by 15.6% to \$470,067,178 as against a rise of 13.8% in the IGRFA index, expressed in US Dollar terms.

By 30 August 1994 - the latest practicable date before the announcement of these results - net assets per share had risen to \$41.84.

The Company's Interim Report will be despatched to Shareholders as soon as possible.

Copies of this statement will also be available from GT Management PLC, (A member of IMRO) Alban Gate, 14th Floor, 125 London Wall, London, EC2Y 5AS, United Kingdom.

BY ORDER OF THE BOARD

David Smith, Secretary, The Bank of Bermuda Limited, Bank of Bermuda Building, 6 Front Street, Hamilton, HM11, Bermuda.

FIFTH INTERIM RESULTS

INTERNATIONAL COMPANIES AND FINANCE

Roving Wallenbergs stay true to home
Overseas expansion will not jeopardise family's commitment to Sweden

The sweeping industrial domain built up over 140 years by Sweden's Wallenberg family is entering a new phase after overcoming most of the debilitating effects of a long recession.

With profits again flowing fast in most of the companies under the family's control, the Wallenbergs are looking to strengthen their presence in growth industries and are eyeing investment opportunities overseas.

Individual companies, such as Astra, Ericsson, Electrolux and the forestry group Stora, have the income to support long-term development strategies, both in new technologies and new markets.

"Now the defence is over. We think the ship is in very good order and it is time to be a bit more offensive again," says Mr Claes Dahlbäck, chief executive of Investor, the holding company that forms the core of the Wallenberg sphere. He says Investor "has the radar on" for new investments, especially overseas.

The trend is set to move the empire away from its traditional dependence on low-growth cyclical industries towards technology-based industries, such as pharmaceuticals, medical technology, telecommunications and, perhaps, the media.

Senior family members, however, will not be drawn on speculation about individual companies - for example, whether they might sell out of SKF, the ball-bearings maker, or float some of Investor's 100 per cent holding in Saab-Scania, the vehicle and aircraft maker. The emphasis, however, will be on evolution, rather than dramatic changes of direction.

They also stress that any move to build up holdings overseas will be limited - not more than 10 per cent of Investor's total portfolio - and will not jeopardise the family's commitment to Sweden.

That commitment and the management capabilities of the Wallenbergs are now more than ever important for Sweden, given the unprecedented dominance the empire exerts over the country's industry. In annual turnover terms, Wallenberg companies account for more than SKr500bn (\$65bn), more than the combined total of the next three largest owners, the state, Volvo and Svenska Handelsbanken.

But the issue of how effec-

tively the Wallenbergs have wielded their power and whether such a hegemony is healthy for Sweden's industrial economy, is seldom debated in public in Sweden.

There are, however, serious concerns that the Wallenberg record, though impressive, has not always been flawless and that in the long term it is perilous for the country to be so dependent on one family.

The LO, the federation of blue-collar trade unions, has voiced its concern. "We need strong industrial leaders and we need stable ownership in Sweden, but we have too few groups and too little competition," says Mr Per Olaf Edin, chief economist at the LO. "It would be good if more foreign owners came to Sweden and established themselves as strong leaders of industrial companies."

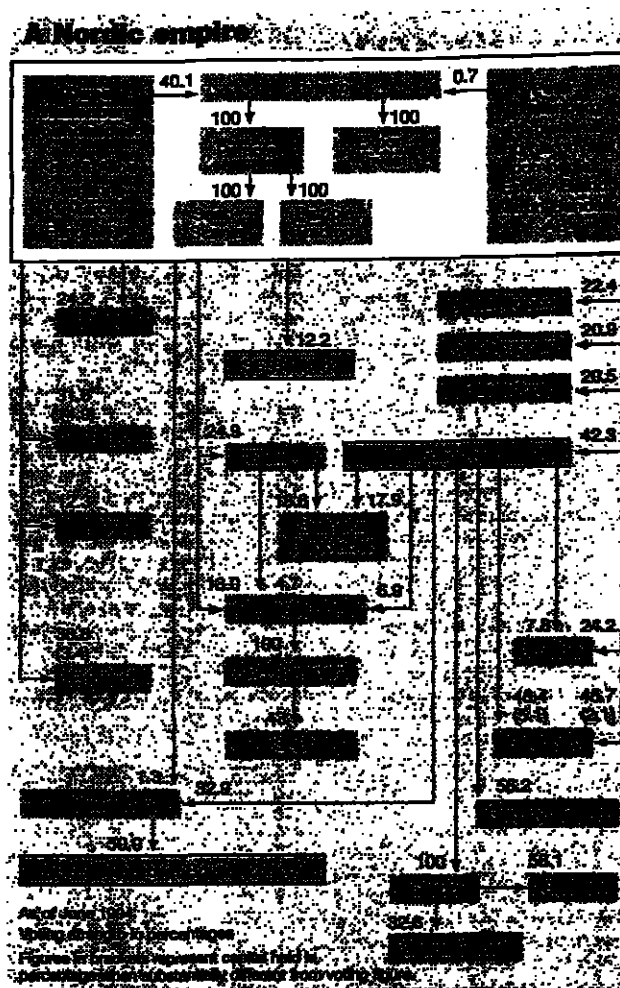
There is also criticism that the results of Wallenberg companies - like those of all Swedish exporters - have been exaggerated by devaluations in 1992 and 1993. "The situation is like a runner who sets a world record for the 100 metres," wrote Mr Per Åhrén, business editor of the newspaper Dagens Nyheter. "The problem is he had a downhill slope, the wind behind him and he ran only 80 metres."

Critics also say the Wallenberg investment performance has been spectacular and would have been worse than the overall market without the phenomenal performance of Astra, the high-flying pharmaceuticals group.

There are examples of questionable judgment within the empire. In the pulp and paper industry, the Wallenbergs made expensive acquisitions just when the cycle was turning down - most notably that of the German group Feldmühle by Stora in 1990 for DM4bn (\$2.6bn). They also took full control of Saab-Scania in 1991, just as it was heading into a trough.

More recently, incentive, a Wallenberg industrial group, agreed in June to sell its stake in Saab, the welding equipment supplier, to Charter, a UK company, at SKr545 a share. Institutional shareholders maintained the price was too low and forced Charter to raise its bid to SKr580.

"The Wallenberg dominance is very dangerous because nothing develops without com-



Source: Wallenberg family, Investor, Astra, Ericsson, Electrolux, Stora, and other companies.

petition," says a senior Swedish businessman. "When things get too intertwined it's like a group of children playing - nobody sticks their neck out except one or two leaders. That will not lead to creative solutions which Sweden badly needs at the moment."

In spite of such reservations, the majority view in Swedish business is that the Wallenberg record of successes over four generations, which is unmatched by any other family dynasty, comfortably outweighs the failures.

SKF, which invented ball-bearings in the 1820s, and Electrolux, which first produced a vacuum cleaner in 1912, were launched during the heyday of industrial innovation. These companies have continued to evolve and hold their own as market leaders. Electrolux has grown to become the biggest supplier of household appliances in the world.

In the forestry sector, the Wallenbergs have transformed

Stora, through acquisitions and investments, from a diversified group into Europe's largest pulp and paper company.

In the case of Astra, the pharmaceuticals group, and Ericsson, the telecommunications company, the empire has produced successes based on modern technology.

Profits growth at Astra has outstripped turnover growth for each of the past 16 years. Ericsson ran into trouble in the 1980s as it got bogged down in the computer business, but it sold out of computers, refocused on telecommunications and has become a world leader in mobile telephony.

The Wallenbergs also steered Asea into the merger with Switzerland's Brown, Boveri in 1988, creating the engineering giant ABB. Half controlled by the Wallenbergs, ABB was recently voted Europe's most respected company in a Financial Times poll.

There is a strong belief in Sweden that without the Wallenbergs' commitment to the country and their willingness to invest for the long term, Sweden would not have produced such an array of international companies.

Wallenberg companies have invested heavily overseas in recent years, in some cases retaining as little as 10 per cent of their production in Sweden. But, unlike family concerns, such as the Ikea retail operation and the Kungälv family and Tetra Pak, the packaging group owned by the Rausing family, their headquarters and ownership remains in the country.

Some fear that without the Wallenbergs much of Swedish industry would migrate. Hence, there is widespread anxiety in Sweden over moves within the European Union - at present dormant - to rule against the kind of weighted share structures that allow companies to be tightly controlled by minority shareholders. Such a ruling would force the Wallenbergs to restructure their empire dramatically.

"We simply don't have the capital to be able to control our own companies, so we would face an exodus of ownership," says Mr Magnus Lennet, chief executive of the Federation of Swedish Industries.

As long as that threat remains buried in the pile of shelved initiatives in Brussels, the principal task remaining for Mr Peter Wallenberg, the keeper of the fourth generation of Wallenberg entrepreneurship, is to manage the smooth transition of the inheritance to Jacob and Marcus Wallenberg, his son and nephew.

And he does not consider that inheritance to be any kind of burden on the nation. "As long as we perform at least as well or better than other equivalent industries; as long as we behave as genuine Swedes in Sweden, meaning that we live here, we pay this country's taxes and we fulfil all our duties more than just the minimum, then we will do nothing that will be against the best interests of the country."

Hugh Carnegie and Christopher Brown-Humes

This is the last in the series on the Wallenbergs. The previous articles appeared on September 1 and 2.

Institutions agree to share information on governance

By Alison Smith

A more structured approach to exchanging information internationally on attitudes towards corporate governance issues has come a step closer, after an agreement by organisations representing institutional investors.

Associations for institutional investors in a range of countries, including the US, Canada, Australia, Germany and the UK, have decided to exchange information on a more routine basis about questions such as directors' remuneration and the duties of

non-executive board members.

The associations, which include the Council for Institutional Investors, an umbrella organisation for US pension funds, will pass each other copies of papers setting out their broad attitudes towards governance issues, so that each is more aware of the practice in other countries and can make that information available to its members.

Some organisations would like to see that exchange within the next year or two into a network for exchanging more specific information.

This would not be intended to lead to

the establishment of common positions or to making recommendations on how investors should vote on issues.

Instead, the aim would be to ensure that, when questions arise for shareholders to decide, institutional investors are in a better position to know how the approach of a particular company compares with local practice.

It is already clear, however, that not all the associations which have agreed to the first stage would want to be involved in dealing with company-specific information.

In the UK, the National Association

of Pension Funds and the Association of British Insurers, whose members manage more than £550bn (\$682bn) of investment funds, have been increasingly adopting a high profile on corporate governance.

Last month, for example, the ABI wrote to a number of the UK's largest companies expressing concern over large payments to former directors.

The question of handling corporate governance questions in an international context will be raised next week at a conference on European investment issues organised by the NAFF.

Notice to Holders of MEDICAL CARE AMERICA, INC. 6 1/4% Convertible Subordinated Debentures Due 2005

Notice is hereby given that a wholly-owned subsidiary of Columbia/HCA Healthcare Corporation ("Columbia/HCA") will be merged with and into Medical Care America, Inc. ("Company"), on or about September 14, 1994, after which time the Company will become a subsidiary of Columbia/HCA. The Company's stockholders are advised that the Company's stock is being converted into shares of Columbia/HCA common stock at the rate of one share of Columbia/HCA common stock for every one share of Company stock.

For more information, please contact: MEDICAL CARE AMERICA, INC. Date: September 1, 1994

EUROFIMA Swiss Corporation for the Finance of Railroad Rolling Stock

U.S. \$250,000,000

Deutsche Mark 1,000,000,000

For the Interest Period 6th September 1994 to 5th December 1994 the Notes will carry an Interest Rate of 5.375% per annum with Coupon Amounts of U.S. \$13,440,000 and U.S. \$13,440,000 per U.S. \$1,000,000 and U.S. \$1,000,000 Notes respectively. The Interest Payment Date will be 5th December 1994.

Swiss Bank Corporation



If the rainforests are being destroyed at the rate of thousands of acres a minute, how can planting just a handful of seedlings make a difference?

A WWF - World Wide Fund for Nature tree nursery addresses some of the problems facing people that can force them to chop down trees.

Where hunger or poverty is the underlying cause of deforestation, we can provide fruit trees.

The villages of Mompasa, Zaire, for example, eat papaya and mangoes from WWF trees. And rather than having to sell timber to buy other food, they can now sell the surplus fruit their nursery produces.

Where trees are chopped down for firewood, WWF and the local people can protect them by planting fast-growing varieties to form a renewable fuel source. This is particularly valuable in the Impepembete Forest, Uganda, where indigenous hardwoods take two hundred years to mature. The *Morhelia* trees planted by WWF and local villages can be harvested within five or six years of planting.

Where trees are chopped down to be used for construction, as in Panama and Pakistan, we supply other species that are fast-growing and easily replaced.

These are nurseries are just part of the work we do with the people of the tropical forests.

WWF sponsors students from developing countries on an agroforestry course at UPAZ University in Com Rica, where WWF provides technical advice on growing vegetable and grain crops.

Unless help is given, soil is exhausted and burn farming methods, which quickly by "slash and burn" farming methods, just a handful of seedlings make a difference?

New tracts of tropical forest would then have to be cleared every two or three years.

This unnecessary destruction can be prevented by combining modern techniques with traditional practices so that the same plot of land can be used to produce crops over and over again.

In La Planada, Colombia, our experimental farm demonstrates how these techniques can be used to grow a family's food on a small four hectare plot. (Instead of clearing the small ten hectares of forest.)

WWF fieldworkers are now involved in over 100 tropical forest projects in 45 countries around the world. The idea behind all of this work is that the use of natural resources should be sustainable.

WWF is calling for the use of deforestation in the tropics to be halted by 1995, and for there to be no net deforestation by the end of the century.

Write to the Membership Officer at the address below to find out how you can help to ensure that this generation does not continue to steal nature's capital from the next. It could be with a donation, or appropriately enough, a legacy.

WWF World Wide Fund for Nature
International Secretariat, 1196 Gland, Switzerland.

FOR THE SAKE OF THE CHILDREN
WE GAVE THEM A NURSERY.

Johannesburg Consolidated Investment Company, Limited

(Incorporated in the Republic of South Africa - Reg. No. 01/00429/06)

Highlights from the Consolidated Financial Statements for the year ended 30 June 1994 (Unaudited)

	1994 Rm	1993 Rm
Profit before taxation	813.4	415.7
Attributable earnings	748.0	433.2
Share of retained earnings of associated companies	151.4	123.3
Equity accounted earnings	913.9	582.4
Ordinary dividends	287.5	195.2
Earnings per share		
- Attributable earnings	586 cents	293 cents
- Equity accounted earnings	616 cents	394 cents

The annual report and Chairman's review will be posted to members on or about 22 September 1994. A final dividend (No. 137) of 154 cents per share has been declared payable to shareholders registered on 23 September 1994. Date of payment will be 24 October 1994. (Currency conversion date 3 October 1994.) Holders of share warrants to bearer should attend to the terms of a notice to be published on or about 5 October 1994.

6 September 1994

The full text of the financial statements will be posted to shareholders and copies can be obtained from the London Secretaries, Johannesburg Consolidated Investment Company (London), Limited, 8 St James's Place, London SW1A 1PP.

In accordance with the standard conditions relating to the payment of the undermentioned dividends declared on 2 August 1994, payments from the office of the United Kingdom Registrar will be made in United Kingdom currency at the rate of exchange of R5.5217 South African currency to £1 United Kingdom currency, this being the first available rate of exchange for remittances between the Republic of South Africa and the United Kingdom on 5 September 1994, as advised by the companies' South African bankers.

The United Kingdom currency equivalents of the dividends are therefore as follows:

Name of Company (All companies are incorporated in the Republic of South Africa)	Dividend No.	Amount per share
Gold Fields Property Company Limited	143	3.62207p
New Wits Limited	87	6.33866p
Vogelsmeubel Meel Holdings Limited	95	2.71655p

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Hopewell earnings boosted by CEPA sale

By Louise Lucas

Hopewell Holdings, the Hong Kong property and construction group controlled by Mr Gordon Wu, yesterday announced a 20 per cent rise in net profits to HK\$2.4bn (US\$310m) for the year to June 30, up from HK\$2bn in the previous year.

The company booked exceptional items of HK\$1.8bn, including HK\$1.2bn from the spin-off last November of Consolidated Electric Power Asia (CEPA), a vehicle incorporating Hopewell's power stations. The net result was HK\$1.8bn less than Mr Wu's forecast of a doubling of profits, made at the time of the spin-off, but was in line with market expectations.

Analysts say they do not expect to see quality recurrent earnings come on stream until 1996, when CEPA and the Guangzhou-Shenzhen superhighway will start making more significant contributions.

Earnings per share climbed 10 cents to 57 cents, and the directors are proposing a dividend of 19 cents, an improvement of 1 cent on last year.

Profit at the operating level rose to HK\$795.5m from HK\$733.2m, reflecting the bigger role played by exceptional items in the previous year. Then, property sales and other exceptionals totalled HK\$32.1bn.

Hopewell benefited from a sharply lower tax bill this year, at HK\$105.6m compared with HK\$287.2m. This reflects the increase in its share of earnings from overseas, which are not liable to Hong Kong tax.

CEPA's projects are mainly in China (where foreigners can enjoy tax-free periods of around six years), the Philippines, and south-east Asia. Deductions for minority interests also fell, to HK\$117.2m from an abnormally large HK\$683m.

The previous year's figure was swollen by the sale of a property owned by a company in which Hopewell had a 60 per cent interest.

Optimism fades on HK-listed China groups

By Louise Lucas

In Hong Kong

When companies turn in profit rises of between 33 per cent and 278 per cent, it seems churlish to find fault. But the surge in net earnings at the interim stage reported by the 10 China enterprises listed in Hong Kong has dampened the optimism that had led to a rally in the share prices before the announcements.

Excluding Qingling Motors, the light-truck assembler which floated last month and has not reported, only two of China's H shares performed markedly better than market expectations - Yizheng Chemical and Shanghai Petrochemical, whose net profits respectively rose 278 per cent to Yn460.6m (\$53.94m) and 35 per cent to Yn772.5m in the first six months of the year.

The two chemicals companies produce commodities which are in short supply (and therefore strong demand) and have big client bases, unlike the machinery companies. They revealed strong balance sheets and an easing of triangular debt, which has been choking profits at the state enterprises since the resurgence of the mainland's austerity drive last year.

As credit lines tightened, so companies found their customers' ability to pay for goods deteriorated. This in turn hurt the first company, which found itself unable to pay off its creditors - hence, triangular debt.

Yizheng, China's biggest pro-

ducer of polyesters, saw its performance enhanced by the global shortage of cotton after poor harvests.

According to the company, it had orders for 567,000 tonnes of polyester in the first half - approaching double its production capacity, which stands at 304,480 tonnes.

But there is a big question mark over the sustainability of both companies' performances, which have been helped by state subsidies which guarantee both the supply and price of important raw materials. The companies benefit from rising costs on the sales side, while being protected on the supply side.

Mr Lawrence Ang, associate director with SBCI Finance Asia, says it is becoming increasingly likely that the state will review its subsidy policy, especially in the case of state-owned companies which are now in effect in the hands of foreigners and therefore cannot justify financial protection. Removal of the subsidies would slash profit margins.

"When these subsidies will be removed is the big uncertainty," Yizheng never says when it might be lifted, but when Shanghai Petrochemical listed last year the directors said the state would guarantee the supply of crude oil, but only in terms of volume, not price," Mr Ang says.

Economic data emerging from China since July suggest the country is in no position to relax the credit tightening measures. Inflation continues to rise, standing at 23 per cent (34 per cent in the cities), while

fixed-asset investment surged 73 per cent over the year to July. An unofficial meeting of China's leaders last month agreed to continue the austerity programme throughout the second half.

While the programme has hit the performance of most of the companies, only Tsingtao Brewery - the pioneering H share - was hit by the unification of China's exchange rates last January.

A winning card in the company's listing prospectus was

the now-defunct currency designated for foreigners. As it is no longer allowed to do this, it has moved to having a net foreign exchange expenditure of around \$3m.

The brewery group is now looking to expand its export markets in a bid to soften the blow, but in the meantime its new vulnerability to foreign exchange fluctuations - unseen so far, but a devaluation is forecast for late this year or during 1995 - stands to hamper earnings.

China's Hong Kong listed companies (Yn m)

	1994 Interim	1994 year forecast	1995 forecast
Beiren Printing	56	121	170
Dongfeng Electric	28	95	111
Guangzhou Shipyard	142	188	121
Kunming Machine Tool	16	56	56
Luyang Glass	127	242	280
Maanshan Iron & Steel	591	1,427	1,841
Shanghai Petrochemical	773	1,336	1,491
Tianjin Bohai	72	142	163
Tsingtao Brewery	102	283	405
Yizheng Chemical	461	632	1,036

Source: WJ Car for End

its strong foreign exchange earnings.

However, this has swung in the opposite direction as foreign exchange receipts dried up in the wake of the unification, while imported raw materials still have to be paid for in hard currency.

Tsingtao previously received payment for some 30 per cent of sales in foreign exchange, due mainly to domestic sales at foreigners' outlets such as hotels.

"The company was able to stipulate payment in US dollars or Foreign Exchange Cer-

tainies, the now-defunct currency designated for foreigners. As it is no longer allowed to do this, it has moved to having a net foreign exchange expenditure of around \$3m.

Machinery and steel companies dominated the most disappointing results, with Maanshan Iron and Steel - the biggest H share company by market capitalisation - leading the pack.

Maanshan suffered from the decline in steel prices in China - a reaction to Russian dumping - and earnings slid 30 per cent to Yn590.6m from the revised 1993 interim figure of Yn835.4m.

Mr Brian Leung, an analyst with W. I. Carr (Far East), reckons that while steel prices are likely to remain weak in the

second half, rising production capacity and growing or flat demand for products should help profits.

However, the triangular debt problem will remain a big issue - the company is now estimated to have accounts receivable of Yn2bn, compared with Yn1.2bn six months ago.

The debt problem will also continue to rear its head at Beiren Printing Machinery, where profits jumped 33 per cent to Yn55.5m from Yn41m, and Kunming Machinery, up 155 per cent to Yn15.89m from Yn6.2m.

In a bid to stave off debts Kunming cut sales, and saw turnover slump 55 per cent to Yn18.67m from Yn42.19m. Mr Leung estimates that just one-third of the group's profits were generated by core businesses, the rest coming from a Yn5.7m tax write-back and interest income from the proceeds of its dual share offering in China and Hong Kong.

Kunming spent a mere one-quarter of the Yn30m raised and creamed interest off the remainder, investing just a fraction of the figure quoted in its listing prospectus on new machinery and tools.

The outlook for all the H-share companies in the second half is not promising, although some analysts are recommending the chemical companies and, for relative value, Dongfeng Electric, whose conservative accounting policy means that 70 per cent of whole-year profits are booked in the second half.

Profits at Australian insurer fall to A\$6m

By Nikki Tait in Sydney

C. E. Heath International, the Australian liability insurer which was spun off from its UK parent in 1992, yesterday posted an operating profit after tax and abnormal of A\$6m (US\$4.4m) in the six months to end-June. This compares with a profit of A\$18.7m in the same period of 1993.

Heath's problems stemmed from the worsening investment environment - in particular, rising fixed-interest markets which created unrealised

investment losses of A\$22.7m, when the portfolio was "marked to market value".

This caused Heath to move to an operating loss before tax and abnormal of almost A\$15m, compared with a A\$28.7m profit last time. The loss was then partly offset by a A\$24.5m abnormal surplus, resulting from the sale of Californian operations.

Heath added that its underwriting profit, net of expenses, rose from little better than break-even in the first half of 1993, to A\$9.7m.

Tyne & Wear

on Tuesday, October 11

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FOR THE YEAR ENDING 31 DECEMBER 1994

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* Please note these corrections to the announcement of the interim results published on 26 August 1994.

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COMPANY NEWS: UK

Sales volumes up 8% and order books at strongest level for 4 years
IMI shows 4% rise to £37m

By Paul Taylor

Strong demand for replacement copper plumbing systems in eastern Germany and a surge in orders for better chips from new casinos set up on Indian reservations following the discovery of a quirk in US gaming laws both helped IMI, the Birmingham-based international engineering group, lift first half profits.

Pre-tax profits grew by 4 per cent to £27m in the six months to June 30, up from £25.5m a year earlier, but were held back by an £8.3m trading loss on the Redwood international computer software company, which was finally sold in July. Turnover grew by 5 per cent to £374m (£364m) including £8m (£17m) from discontinued operations.

Operating profits from continuing operations increased

by 20 per cent from £40.6m to £48.7m reflecting an improved performance by the group's four core businesses as the benefits of internal cost reduction and the broadly based improvement in trading conditions came through.

The interim dividend, which has been held steady for the past four years, is being increased from 4.2p to 4.4p reflecting the board's growing confidence in the outlook. Earnings per share rose to 7.3p (6.9p).

Mr Gary Allen, chief executive, said order books were at their strongest level for four years, and sales volumes had risen by an average 8 per cent across the group. However, he added that prices had not shown any real improvement.

Mr Allen said demand for copper plumbing materials in eastern Germany following re-

unification was the main factor behind an 8 per cent growth in sales to £165m and 26 per cent increase in operating profits to £14.1m in the building products division.

Copper was considered a strategic material by the former communist regime in East Germany, and the plumbing systems installed in most buildings were made of inferior steel. He said IMI had sent six copper plumbing system display trucks into eastern Germany "as soon as the Berlin Wall came down", and orders had come flooding in.

Although several businesses in the special engineering division continued to make small losses in the first half, the division as a whole lifted sales by 4 per cent to £126m and profits by 6 per cent to £8.8m.

Among the operations contrib-

uting to the improvement were IMI's two casino tokens businesses in the US, where demand for chips has soared recently following the discovery of a loophole in Federal law which has enabled Indian reservations across the nation to set up gaming establishments.

COMMENT

With almost 70 per cent of its sales overseas and leading market positions in many of its businesses, IMI should benefit as the world-wide recovery gathers pace. However, IMI's well-deserved quality rating is already reflected in its share price. Headline pre-tax profits this year will be depressed by a £35m exceptional charge related to the sale of the computer software operations. Excluding this, profits of about £58m look possible, producing earnings of about 16.7p. Hold.

Medeva shares rise on 70% advance

By Tim Burt

Shares in Medeva rose 33p to 151p yesterday after the acquisitive pharmaceuticals company announced a 70 per cent increase in first half profits.

The improvement was fuelled mainly by increased US demand for methyphenidate, its treatment for hyperactivity in children and young adults, which helped lift pre-tax profits from £13m to £23.1m.

Sales of the drug more than doubled and accounted for 60 per cent of the increase in turnover from £80.1m to £107m in the six months to June 30.

Mr Bill Bogle, chief executive, declined to reveal the proportion of profits derived from methyphenidate, but he warned that its recent growth was unlikely to be sustained in the second half.

Mr Martin Taylor, chairman, said the rising sales and share price showed the group had recovered from its problems last year, when a profits warning sent the shares tumbling from 210p to 110p.

The company also announced that Mr Ian Gowie-Smith, the co-founder and former managing director, was standing down as a non-executive director.

Mr Gowie-Smith said he had decided to resign because of possible conflicts of interest with his activities at Brightstone, the consultancy firm formed with Mr David Lees, his long-time business partner, who resigned as Medeva's finance director in March.

Earnings per share rose 29 per cent to 4.9p (3.8p) and the interim dividend has been increased to 1.1p (0.9p) with a scrip alternative.

COMMENT

Medeva is in danger of developing a dependency. Methyphenidate is thought to have accounted for the bulk of profit increase, and it already has a rival in the US, its main market. Having made a partial recovery from last year's profits warning debacle, further acquisitions could also be a little hasty as it has not yet fully bedded down its existing products and infiltrated important markets such as Italy. Nevertheless, seasonal sales of its respiratory and asthma products should lift full-year profits to about £28m. The shares are pretty inexpensive on a forward multiple of about 11, but Medeva has lot to prove.

Peek profits show 57% rise to £3.26m

By David Blackwell

A strong performance from the field data systems division helped Peek, whose principal business is traffic systems, to lift interim profits sharply.

They rose to £3.26m for the six months to June, from £2.07m in the corresponding period last year, when there was a loss of £554,000 on the disposal of discontinued businesses.

Total group sales grew by 28 per cent, from £44.3m to £56.6m.

Mr Allen Standley, chief executive, said that the field data division had benefited from improving markets and wider acceptance of the company's newer products, including the Husky hand-held counter.

Net cash totalled £158,000 in the period, compared with net borrowings of £1.8m in the year-earlier period. Interest payable was £11,000, compared with £194,000 received previously. Earnings per share improved from 1.1p to 1.79p. The interim dividend is unchanged at 1.05p.

Telspec shares slip 18p to 285p

By Peter Pearce

Shares in Telspec fell 18p to 285p yesterday in spite of the manufacturer of advanced telecommunications equipment announcing a 30 per cent increase in first-half pre-tax profits from £1.94m to £2.52m.

Mr Garth Riley, chief executive, said the market may have reacted to a mention of a margin squeeze, and stressed that this referred only to a small proportion of the recently floated group's business. Manufacturing costs were being reduced, with the benefits expected by the year-end.

The profits rise was struck on turnover 61 per cent ahead at £13.7m (£8.53m). The maiden interim is 1.2p, payable from earnings of 5.49p, a rise of 17 per cent.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Comes - pending dividend	Total for year	Total last year
Appleyard	2.91	Oct 21	2.8	-	5.5
Bodington	3.15	Oct 21	2.95	-	6.1
Bowdler	5.8	Nov 4	5.3	-	12.55
British Dredging	2.8	Dec 12	2.8	-	5.8
Burford	0.791	Oct 3	0.65	-	1.4
Cambridge	1	Oct 21	1.05	-	2.5
Commentone	0.41	Oct 7	-	-	-
CRH	2.54	Oct 12	2.27	-	7.29
Croda	3.1	Dec 5	2.95	-	6.4
Davis Service	2.87	Oct 28	2.73	-	7.98
Gaskell	1.5	Oct 24	1.5	-	4.25
Iceland	1.52	Nov 21	1.2	-	3.6
IMI	4.4	Nov 17	4.2	-	10
Kingspan	1.24	-	1	-	2.5
Macro 4	11.98	Nov 7	11.48	-	17.75
Medeva	1.1	Nov 21	0.9	-	2.7
Oriel S	2	Dec 2	0	-	5
Peek	1.05	Jan 5	1.05	-	3.4
Riv & Merc Small	2.8875	Nov 9	2.75	-	4.1975
Schoell	2.6	Nov 7	2.6	-	6.4
Telspec	1.2	Oct 27	1.7	-	1.7
TI Euro Growth	1.7	Oct 21	1.25	-	4.5
USDC	1.25	Oct 31	2	-	5.25
Wimpey (George)	2	Oct 18	0.9	-	1.8
WSP	1	-	-	-	-

Dividends shown pence per share net except where otherwise stated. YON increased capital, \$USM stock, \$Irish currency.

More jobs go at Central as Carlton restructures

By Raymond Snoddy

Carlton Communications moved to integrate its Central Television acquisition more closely - a restructuring that will cost a further 180 jobs and lead to savings of more than £15m a year.

Carlton UK Television, the UK's largest commercial television company, broadcasting to 20m people in London and the Midlands, was formal following the £78m acquisition of Central last November.

The programming commissioning and production arms of Carlton and Central will be integrated into Carlton UK Productions, under Mr Paul Jackson as managing director. Broadcasting services will combine under Mr Clive Jones.

The ITV company also confirmed its intention to move its Birmingham broadcasting centre to a new purpose-designed building in the city and to transfer some operations to its Nottingham studios.

The restructuring will lead to 40 job losses by the end of this year. When the new Birmingham centre is in operation about 90 jobs will be transferred to Nottingham, and the overall workforce will be reduced by a further 140.

Union representatives said yesterday they were "devasted" by the further job losses - 50 jobs had already gone since the merger. Ten years ago Central alone had 2,400 staff. When the present restructuring is complete, the combined Carlton UK Television will have a total of about 1,000 although a large number of independent producers are employed indirectly.

Mr Andy Allan, chief executive of Carlton UK Television, said the integration and job losses were necessary to create the sort of company that could compete not just in Europe but in the rest of the world.

From January 1, Birmingham-based Central Television and London-based Carlton

Television will be known as Central Broadcasting.

"Strong regional boards and management will ensure that regional services, including news and regional programmes, will maintain their distinctive character and be of the highest quality," Mr Allan said. The aim was to increase the amount of production at the Nottingham studios, not just making programmes for ITV but eventually for other countries. He added: "If the BBC is interested we would be delighted to talk to them."

At the time of the takeover it was suggested that 10m-15m a year could be saved by rationalisation. Mr Allan expects savings of £15m a year. Mr Mark Bellby, media analyst at S.G. Warburg, said that with little real growth in advertising revenues expected over the longer term, ITV companies had to cut costs. Carlton's share price gained 12p to close at 857p.

Boddington declines to £13m

By Roderick Oram

Boddington Group, the pubs, hotels, nursing homes and drink distributor, reported pre-tax profits for the 26 weeks to July 3 almost halved at £13.1m, against £25.2m which included a gain of £13m from the sale of its stake in Devenish.

However underlying profits grew by 6.4 per cent despite patchy recovery in consumer spending.

"All the economic indicators are set in the right direction," said Mr Denis Cassidy, chairman, but cautious consumers still needed to justify to themselves "the need to spend". Trading profits rose to £17.18m (£14.1m) with all four divisions increasing profits. Turnover rose 14 per cent to £129m (£113.2m).

Its estate of 477 pubs, all in north west England, produced a 4 per cent rise in profits to

£10.7m (£10.3m) on turnover up 6.5 per cent to £23.5m (£20.3m). Managed pubs showed an 12 per cent rise but tenanted profits were down 11.3 per cent on 8.2 per cent fewer pubs.

Beer volumes in its regional market fell 3.9 per cent with the fall in the managed pubs limited to 2.1 per cent on a like-for-like basis while tenanted pub volumes fell 4.9 per cent.

Liquor Assets, the drinks distributor, lifted profits by only 5.8 per cent to £3.04m (£2.87m) despite a 20 per cent increase in turnover to £59m (£49.2m).

Luxury hotels rose 51 per cent to £1.7m (£1.13m) on turnover up 30 per cent to £2.4m (£1.78m). Healthcare, consisting of 17 nursing homes in the south east of England, reported a 3.4 per cent increase to £1.66m (£1.6m) on turnover ahead 10 per cent at £7.1m (£6.41m).

The interim dividend is lifted to 3.15p (2.89p) on earnings per share of 8.4p (8.5p) or 8.2p (7.6p) excluding property and exceptional items.

COMMENT

Boddington produced the good results expected from a group which had spotted early the benefits of selling its regional brewery to concentrate on pub retailing. But two weaknesses are apparent, tenanted pubs and drinks wholesaling. It must move faster to switch to higher margin managed pubs and to expand its estate. On the wholesaling side, it has yet to show that volume growth can bring economies of scale. On full-year pre-tax profit forecasts of £30.5m and eps of 18.4p, the shares are on a prospective multiple of about 15. That is a fair rating until Boddington makes more of its pubs and distribution businesses.

Burford Holdings more than doubles to £5.12m

By Christopher Price

Burford Holdings, the acquisitive property group, yesterday reported interim pre-tax profits more than doubled from £1.9m to £5.12m. The company also announced the issue of a £100m mortgage debenture, primarily to pay for the Trocadero Centre in London's West End, which was purchased over the summer.

Turnover showed a similar increase, rising from £5.1m in the same period last year to £11.5m. Earnings per share advanced by a more modest 34 per cent to 1.6p (1.19p), reflecting February's £100m rights issue.

Besides the Trocadero deal, which cost £94m, Burford spent £103m on a commercial property portfolio from Ladbroke during the first half. Together with some smaller deals, Burford estimates that its annualised rental roll will be £35m at the end of the financial year, double its expectation at the interim stage had increased from £4.7m to £10.8m.

Mr Nigel Wray, chairman, said the refurbishment of the Trocadero, on one of Europe's busiest thoroughfares at Piccadilly Circus, would begin as soon as the company took possession later this month.

The company intended to strengthen the centre's entertainment facilities, taking advantage of its vacant 120,000 sq ft of office space. He estimated the refurbishment cost at about £7m.

The debenture would allow the company to continue its strategy of pursuing moderately large investment opportunities, he added.

An interim dividend of 0.75p, against 0.65p, was declared.

CRH continues strong growth with 60% rise

By Tim Coone in Dublin

Pre-tax profits at CRH continued their strong growth in the six months to June 30 advancing 60 per cent from £25.1m to £40.1m (£25.7m) on turnover up 12 per cent at £725.7m, against £647.8m.

The Dublin-based construction and building materials group said an increase in construction activity in the company's core market in the Irish Republic, compared with a depressed first half of 1993, had contributed to the growth.

They were further helped by improvements in the UK and increased contributions from two US associates in the tempered glass and masonry industries.

Mr Tony Barry, chief executive, expected more moderate growth in the second half, but

said "we do expect a good improvement in the results for the year as a whole".

There was net interest receivable of £129,000, against charges of £12.7m, reflecting the benefits of last year's rights issue and strong cash flow. The period end debt-to-equity ratio was 19.6 per cent.

Mr Jack Hayes, managing director for finance and development, said that by the end of the year the group would have £100m in cash for acquisitions, which could be enhanced by borrowing up to £200m.

Earnings per share rose 37 per cent to 9.25p (6.77p), and the interim dividend is raised to 2.5p (2.37p).

Dublin analysts anticipate full-year profits of between £110m and £115m for earnings of 25p-27p per share, giving a prospective p/e of about 15.

New cars boost Appleyard

By Peter Pearce

"A healthier market", especially in new cars, helped Appleyard, the Yorkshire motor dealer, lift pre-tax profits 61 per cent in the first half.

The rise from £2.61m to £4.2m was also underpinned by a sharp increase in the operating profits contribution to £1.4m (£545,000) from a 50-50 joint venture with Barclays on the contract hire side. Group turnover rose 42 per cent to £251m (£177.2m), including £27m from acquisitions.

Mr John Atkin, business

development director, said that, excluding acquisitions, the group's sale of new vehicles was up 20 per cent, against a 14 per cent rise in the national market. The sale of used units grew 15 per cent to about 10,500.

In the period, the group spent £18.3m on acquisitions, having raised £16.4m in a September 1993 rights issue. It now has 94 franchisees - including five marquee new to the group - on 62 sites.

Earnings advanced to 4.5p (3.7p) per share and the interim dividend is 2.9p (2.6p).

Wates City drops down to £1.3m loss

By Christopher Price

The slow recovery in the commercial property market continued to cast a toll on Wates City of London Properties, which yesterday reported an interim pre-tax loss of £1.3m against a profit of £900,000.

The company attributed part of the fall to charging rather than capitalising interest in its associated companies, where losses increased from £150,000 to £1.9m.

Operating profits for the six months to end June dropped 51 per cent to £2.7m (£5.68m). The loss per share came out at 1.01p, compared with earnings of 0.43p.

Again, no interim dividend was recommended and the board said it did not expect to pay one for the full year.

Mr John Nettleton, managing director, said the downturn was a result of the company's strategy of selling its income producing properties in favour of keeping its development interests.

"We continue to believe that there will be a strong upturn in the property cycle when our policies will be vindicated," he added that several large developments would begin producing rental income over the next 12 months.

Greene King sells Morland stake

By Roderick Oram

Greene King, the East Anglian brewer, has sold for £28.7m its 28.5 per cent stake in Morland, the Thames Valley brewer it failed to acquire in 1992.

Hoare Garrett, the stockbroker, bought the 6.25m shares for 450p a share and placed them with institutions. Greene King had paid an average of 450p a share for them during the abortive bid, with the bulk coming from the Whitbread Investment Company.

Greene King will book an exceptional profit of £600,000 before expenses but it had already taken a £2.7m charge for the bid costs in its 1992 results. It will use the proceeds to cut its debt to £68m from £95m. Gearing will fall by 10 percentage points to 30 per cent.

Greene King was attracted by Morland's pub estate in the Thames Valley. It also hoped to close Morland's Abingdon brewery and use the site as a distribution centre for its own beers such as Abbott and IPA.

Davis Service Group 29% ahead to £10.9m

By Christopher Price

Pre-tax profits at Davis Service Group increased by 29 per cent from £8.47m to £10.9m for the first six months of the year as the business services company reported a moderate upturn in trading.

The headline figure was boosted by profits of £783,000 arising from a property disposal. Without this, the rise in underlying profits was 19 per cent, similar to the increase in turnover, which improved to £151m (£128m).

Earnings per share of 7.51p compared with 6.51p last time, although adjusted for the property disposal, earnings were 6.74p, a rise of 3.5 per cent.

A good proportion of the increase came from a full interim contribution from HSS Hire Services, which Davis bought 15 months ago.

Mr George Boyle, finance

director, said that otherwise the company's divisions had seen only a gradual improvement and that the recovery remained patchy.

Elliott Group, which provides portable building units, showed sales slightly ahead, and Mr Boyle said the division's steel manufacturing capacity was being strengthened. In the linen hire business, firmer occupancy rates in the London hotel market were offset by weakness in the provinces. Workwear was also proving a tough environment.

The support services arm, which undertakes cleaning and catering contracts, was affected by margin pressure, due mainly to government employment legislation in the public service sector.

The interim dividend is increased to 2.87p (2.73p). Mr Boyle said he anticipated last year's final dividend of 7.98p would be maintained.

Stagecoach buys two London bus companies

By Paul Taylor

Stagecoach Holdings, the acquisitive Perth-based bus operator, has succeeded in buying two of the 10 companies that run London's red buses for £25.3m in cash.

Stagecoach, which was floated on the Stock Exchange in April last year and had originally put in bids for all the London bus companies, said it had acquired East London Bus and South East London and Kent Bus Company for £8.8m.

In the year to March 31 the two companies had a combined turnover of £82.7m and posted pre-tax profits of £2.4m.

The acquisitions are expected to enhance group earnings in the current financial year as improvements in the operating margins of the new subsidiaries and the benefits of economies of scale are achieved. East London and Selkent,

the second and third London bus companies to be privatised, will represent slightly more than a fifth of Stagecoach's expanded turnover and will give Stagecoach a significant presence in the London region which represents about 20 per cent of the UK market. Following the acquisitions the enlarged group will have around 11.5 per cent of the UK bus market.

Commenting on the two acquisitions Mr Brian Souter, executive chairman, said: "In the period since flotation we have set out a clear acquisition strategy designed to provide shareholders with longer-term enhanced earnings. Stagecoach was previously concentrated on provincial operations but we have succeeded this year in building a major presence in large urban areas where we believe our proven operating strategies can succeed equally well."

This announcement appears as a matter of record only.

28 June 1994

£150,000,000

Newsprint Mill Project Financing

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COMPANY NEWS: UK

Housebuilding profits increase fourfold as construction stays tough
Wimpey recovers to £7.5mBy Andrew Taylor,
Construction Correspondent

Wimpey, Britain's biggest housebuilder, yesterday confirmed that the housebuilding revival was still on track as it announced a recovery from a restated £200,000 loss to a £7.5m pre-tax profit in the first six months of this year.

The company, which is paying a maintained interim dividend of 2p, held out the prospect of an increase in the 3.25p final dividend at the end of the year when it said it would review payments to shareholders "in the light of trading prospects for 1995".

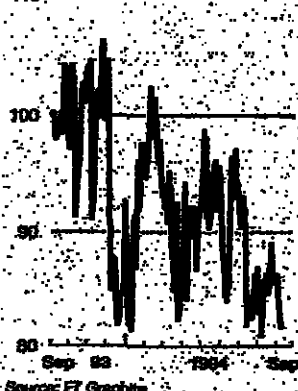
Mr Joe Dwyer, chief executive, said these had improved for most of the group's businesses although conditions in construction remained very tough.

Earnings per share in the first half rose from 0.38p to 1.36p, requiring a transfer from reserves of £2.3m to meet the cost of the interim dividend. The company traditionally earns the bulk of its profits in the second half.

Wimpey has changed its policy and now charges interest against discontinued businesses rather than including them in provisions. This led to last year's £1.1m first half profit being restated as a £200,000 loss.

Mr Dwyer said that UK house sales, after faltering earlier in the summer, had risen by about a quarter in August compared with the correspond-

George Wimpey

Share price relative to the
Tarmac share price

Source: FT Graphics

ing month last year.

"This gives us confidence that the autumn, the second most important selling season of the year, will be quite reasonable," he said. Other housebuilders have also reported a revival in sales in August.

Mr Dwyer said that a lull in the market had occurred at the same time as the World Cup soccer finals. Even so, UK house sales since May were about 15 per cent higher on average compared with the corresponding period last year.

The group expects UK completions for the year to increase to 6,000 from 6,936 in 1993.

Housebuilding profits, including the US and Australia, rose fourfold in the first half, from £2.6m to £10.5m, on



Joe Dwyer: improved trading prospects in most businesses

turnover increased from £155m to £246m.

Profits from the UK and US minerals division fell from £4.6m to £100,000 but this masked an improvement of more than £2m as last year's profits included £8.7m of planning fees from the group's former waste business.

The performance of the minerals division, boosted by price and volume sales increases in the UK, was even more impressive given that US results were depressed by severe winter weather, said Mr Dwyer.

Construction profits, had fallen from £5.8m to £3.3m, although the bottom may have been reached in this market.

COMMENT

Margins on UK house sales should reach double figures by the end of this year, leaving little scope for further improvement given the company's emphasis on first time buyers. Wimpey should therefore be regarded as a construction and minerals recovery play, where Tarmac, scores more heavily.

Wimpey's strength is in its superior balance sheet, where gearing is expected to be only 15 per cent by the year end. Profits of £48m and £68m would put the group on prospective multiples of 17 and almost 13, indicating that it still has much to do before it closes the gap with its rival.

Depressed Europe leaves Scholl lower

By David Blackwell

Shares in Scholl, the healthcare products group, fell more than 10 per cent yesterday as the company reported lower interim profits and the imminent completion of a business review.

Pre-tax profits for the six months to June 30 fell from £11.7m to £9.86m, hit by depressed trading in Europe, higher spending on promotion and interest payments. The shares closed at 164, off 20.

Mr Neil Franchino, chief executive, said the group had been studying changes to its structure for the past 12 months, but had not fine-tuned the costs. Definitive plans would be announced within three months.

There would be strong benefits from the restructuring in the medium term, he said. "The changes won't cost a dramatic amount and will be financed internally." They would be aimed at increasing efficiency and could involve closing some of the 150 shops.

Total turnover improved from £94.1m to £100.1m, helped by growth in south east Asia and sales from Septivon in France and Scholl Japan, both acquired last year. However, sales in the UK and Europe were down by £2.7m, and currency movements cost a further £1.6m. In the UK, which accounts for about 20 per cent of turnover, sales to the trade were 3 per cent down following consolidation of distribution networks.

Promotional spending increased from £8.9m to £9.5m in the half, mainly to give the two acquisitions a good start.

Interest payable was £237,000, compared with previous interest receivable of £512,000.

Earnings per share fell from 3.2p to 2.9p. The interim dividend is unchanged at 2.6p.

Macro 4 up at £11.2m despite subdued trading

By Paul Taylor

Macro 4, the systems software group whose products run on IBM or IBM-compatible mainframe and mid-range computers, managed a 6.8 per cent increase in full year pre-tax profits despite "subdued" trading conditions and lower interest receipts.

Pre-tax profits advanced to £11.2m in the year to June 30, up from £10.5m the previous year on turnover which increased by a modest 4.8 per cent to £24.4m (£23.3m).

Earnings per share increased by 8.8 per cent to 34.2p (31.5p) and a final dividend of 11.98p (11.48p) is proposed making a total of 20p (17.75p) for the year.

Despite the profit improvement and 12.7 per cent increase in full year dividend the shares, which have fallen sharply from a high of 723p in early February, closed 12p

lower at 543p reflecting the market's concerns about the state of the mainframe software market.

Mr Terry Kelly, chairman, said the group had continued to make progress, with turnover and contributions to group profit increasing in all the group's established subsidiaries, albeit by small amounts in some countries.

He said the group was continuing to invest in its newer range of systems software designed to run on IBM's AS/400 mid-range computers. This "places the group in a sound position for future growth".

However Mr Kelly acknowledged that the software market was "at a bit of a crossroads" with customers uncertain about the future role of mainframe and mid-range machines as the trend towards client/server computing gathers pace.

"I continue to be cautious

regarding the coming year's prospects against a background of continuing change within the computer user environment, change which is, partly at least, responsible for the continued rate of contract cancellations within the group," he said.

Nevertheless he predicted that the group would remain cash generative and produce a further modest improvement in profits this year.

Operating profits increased by 8.1 per cent to £9.97m (£9.22m). Interest earnings slipped to £1.25m (£1.23m) reflecting lower interest rates partly offset by interest on a delayed tax payment.

Group cash balances increased by £2.8m to £22.4m at the end of June although both year-end figures benefited from tax payments which were delayed. On a comparable basis cash balances increased from £18.2m to £21.3m.

Rec buy-backs gather momentum

By Peggy Hollinger

The rush by regional electricity companies to buy back their own shares before dealing restrictions take effect at the end of the month gathered pace yesterday with purchases by South Wales Electric and South Western Electricity.

South Wales bought 500,000 shares, representing 0.5 per cent of its equity, for £4.1m at a price of 815p per share.

The company is widely expected to follow this first purchase with further buying before the closed period takes effect at the end of the month. South Western Electricity bought 750,000 shares at 805p, bringing the total acquired in the last week to 4.25m shares, or 3.4 per cent of the

share capital.

The recs have the power to buy back up to 10 per cent of the issued share capital. This would enhance both earnings and the potential to increase dividends.

"If people are paying anything more than 1p service to improving shareholders' value, they ought to buy back the maximum allowable," said one industry source.

However, their opportunities are limited by restrictions on buying in advance of results or prior to any announcement on the future of the National Grid, in which they are shareholders.

Shares in South Wales jumped 21p to 815p after the announcement. South Western shares fell by 7p to 805p.

Independent Newspapers expands

By Raymond Snoddy

Mr Tony O'Reilly's Independent Newspapers of Ireland has expanded its international newspaper investments by taking a small stake in Jornalgeste.

The publicly quoted Portuguese group accounts for half of Portugal's newspaper sales through its two national titles Jornal de Noticias and Diario de Noticias.

The Irish group is taking a 6.6 per cent stake, which is being paid for with new shares in Independent Newspapers worth IR£ 5.5m.

Mr Liam Healey, chief executive of Independent Newspapers, said the company had made the investment because it believed that the Portuguese economy was strengthening.

Tim Bell sheds acquisitions after listing

By Raymond Snoddy

Sir Timothy Bell, the public relations specialist, has started to rid himself of the businesses acquired last year in a reverse takeover designed to get a stock exchange listing for China Communications.

The company said yesterday that its

subsidiary The Carpet Tile Company had sold its business and certain assets to a Sider subsidiary for £1.4m.

At the same time, China, the holding company for Lowe Bell Communications, has agreed to acquire Green Moon, a specialist consumer public relations company, for £1.1m in a mixture of cash and shares. It is also selling Venesta Cable

Systems, which makes toilet partitions. In the three months to June 30 China made a pre-tax profit of £208,000 on turnover of £2.38m. The results include only one month's returns from Lowe Bell.

Sir Timothy Bell said yesterday that the outlook for the rest of the year remained encouraging. He added that trading performance was ahead of last year.

NEWS DIGEST

Oriol tops £2m at midway

Oriol Group, the insurance broker, consolidated its return to the black in the first quarter and reported a pre-tax profit of £2.03m for the six months to June 30.

The outcome was achieved on income of £8.82m and compared with a deficit of £28,000 from income of £4.65m in the 1993 first half.

Earnings per share came out at 5.7p (1.2p losses) and the interim dividend is maintained at 2p.

Since the period end Oriol has completed a £4m rights issue.

Metsec

Metsec continued the progress made over the past 18 months, reporting a pre-tax profit of £754,000 on turnover of £29.1m for the six months to end-June.

The outcome compared with profits of £505,000 on turnover of £26.5m in the previous first half. After an increased tax charge of £377,000 (£122,000) earnings per share came out at 2.44p (2.48p). The interim dividend is being restored with a 1p pay-out.

The USM-quoted company, which has interests in building products electronics and engineering, said that the higher tax charge arose because losses from its US operations were not allowable against other group profits.

River & Merc Small

The net asset value per share of River & Mercantile Smaller Companies Investment Trust was 143.6p at July 31, a rise of 8.6 per cent on the 132.2p 12 months earlier.

Net revenue for the year to the end of July was £1.03m (£1.02m) for earnings per share of 4.11p (4.07p). The proposed final dividend is 2.885p (2.75p) for a total of 4.175p (4p).

TR Euro Growth

TR European Growth Trust achieved a 45 per cent increase in net asset value per share from 117.64p to 170.89p over the 12 months to June 30. The fully diluted figure rose 42 per cent from 118.13p to 169.62p.

For the year to the end of June net revenue fell from £1.01m to £985,000 for earnings per share of 2.48p (2.61p). Directors propose maintaining the single final dividend at 1.7p.

Estates & General

Estates & General, the property developer and investor, reported reduced pre-tax losses of £570,000 for the six months to June 30, against a deficit of

£1.53m in the comparable period of 1993.

The improvement was achieved on turnover down from £5.01m to £4.03m and was principally the result of a reduction in the interest charge from £4.66m to £3.57m.

Mr Peter Frevoting, chairman, said that debt had been reduced by a selective disposal programme.

Losses per share emerged at 4.54p (7.16p).

Burnfield

Burnfield, the international controls and measurement equipment group, staged a recovery to profits of £1.54m from turnover of £19.7m in the half year to July 1, after incurring a loss of £483,000 in the second half of 1993.

The result for the latest period, which included an exceptional operating gain of £253,000 from the settlement of a customer dispute at Isopad, compared with a profit of £1.27m on turnover of £18.4m in the 1993 first half.

After a reduced tax charge of £461,000 (£528,000) earnings per share worked through at 8.1p (2.2p). The interim dividend, however, is cut to 1p (1.65p).

USDC Inv Trust

The net asset value per share of USDC Investment Trust fell 2.5 per cent from 281.5p to 274.4p in the six months to June 30. This compares with a fall of 13 per cent in the FT-SE-A All-Share Index.

Net revenue for the half year to the end of June was £931,000 (£885,000) for earnings per share of 2.54p (1.87p). The interim dividend is unchanged at 1.25p.

British Dredging

British Dredging, the builders merchant, reported pre-tax profits 16 per cent higher at £858,000 for the six months to the end of June, against £729,000. Turnover improved from £17.3m to £18.7m, an increase of 8 per cent.

Earnings per share came out at 3.28p (2.83p) and the interim dividend is unchanged at 2.6p.

WSP

Pre-tax profits at WSP Group, the consulting engineering company, were up 95 per cent from £379,000 to £545,000 in the six months to June 30, on turnover doubled to £10.2m, against £5.1m.

Announcing the first interim results since its merger with ABCConsultancy last October, Mr Peter Welch, chairman, said the company's order book was at its highest since 1990 and that he was "encouraged that the commercial and retail sectors are showing signs of recovery".

The interim dividend rises 11 per cent to 1p (0.9p). Earnings per share remained 1.9p.

Gaskell

Gaskell, the carpet manufacturing group, announced a fall in pre-tax profits for the six months to July 1, down from £399,000 to £24,000.

However, turnover was ahead at £18.6m (£14.3m), and the company described its fortunes as improving; the 1993 interim pre-tax figure was struck after an exceptional payment of £913,000 for assets destroyed by fire (nil).

The interim dividend is maintained at 1.5p. Earnings came out at 0.2p (5.2p), or 0.2p against losses of 13.6p excluding the exceptional payment.

Kingspan

Improved trading margins enabled Kingspan Group, the Irish Republic-based building products group, to report pre-tax profits for the six months to June 30 ahead by 57 per cent to £2.05m (£2.03m), compared with £1.3m.

Turnover improved from £23m to £23.4m. Earnings per share came out at 6.44p (3.88p) and the interim dividend is being raised to 1.2p (1p).

Strong & Fisher

Strong & Fisher (Holdings), the sheepskin processing company, saw pre-tax profits creep up from £1.72m to £1.75m in the six months to June 30. Turnover rose 10 per cent from £48.1m to £53.1m.

Earnings per share fell to 0.6p (0.69p). The company is 87.89 per cent owned by Hilldown Holdings.

Robinson Brothers

Robinson Brothers (Rydars Green), the unquoted West Bromwich-based chemicals group, reported pre-tax profits down by 24 per cent to £1.45m in the first half of 1994, compared with £1.9m.

Turnover was static at £14m. The company said that trading continued to be adequate. Earnings per £1 share were 59p (74p).

Macfarlane

Macfarlane Group (Clansman), the Glasgow-based packaging group, has spent £7.75m of its £29m cash pile on Wicklow Custom Packaging of Ireland. Based in Newtownmounkenedy, WCP makes injection moulded plastic products for the pharmaceutical, electronic, food, drink and toy industries. In the six months to June 30, it made pre-tax profits of £556,000 and, at that date, had net assets of £1.87m.

At the same time, but under a separate agreement, the vendors have subscribed for 1m new ordinary Macfarlane shares at 254p apiece.

IMI INTERIM RESULTS

"... All our core businesses produced better returns than in the first half of 1993 with operating profits up by a healthy 20% from £40.6m to £48.7m. This was the result of benefits from our internal programme of cost reduction and investment, combined with a broadly based improvement in trading conditions.

Taken together with our confidence for the future the Board has increased the interim dividend from 4.2p per share to 4.4p per share."

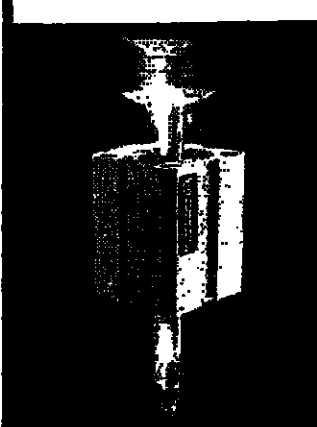
Sir Eric Pountain, Chairman

HALF YEAR TO 30 JUNE 1994

Sales	up 5%	to £574m
Operating profits from continuing businesses	up 20%	to £48.7m
Profit before tax	up 4%	to £37.0m
Earnings per share	up 6%	to 7.3p
Interim dividend per share	up 5%	to 4.4p
Gearing	improved to	30%



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FINANCIAL TIMES SURVEY

ENTERPRISE IN WALES

Wednesday September 7 1994

Though the optimism is tinged with caution, signs from the Welsh economy are encouraging, writes
Roland Adburgham

A portent of recovery

When work on the long-delayed 2150m barrage across Cardiff Bay finally started earlier this year, it could be seen as a portent that the long-heralded recovery was at last under way in Wales.

Although the business community is careful to tinge optimism with caution, there has been a string of encouraging signs. That optimism, according to surveys by the Confederation of British Industry, has risen in the principality for seven successive quarters. An analysis published last month by the CBI and the consultancy Business Strategies found that manufacturers had higher expectations for orders and output than in any other region.

Wales has weathered the recession quite well and better than some people might have expected," says Dr Elizabeth Haywood, director of CBI Wales. And Mr Robert Ellis, senior partner in south Wales of Touche Ross, the accountancy firm, comments: "Confidence is moving slowly in the right direction."

A recent Touche Ross/Western Mail survey of business opinion found a third of companies expected to employ more people in six months' time and only one in 10 fewer. While 700 redundancies announced last month at Swansea's Driver and Vehicle Licensing Centre show that big employers are still shedding jobs, the unemployment rate was down to 9.6 per cent in July (compared with the UK average of 9.3 per cent).

There are other signs of a pick-up in activity. Mr John Mitchell, chief executive of Principality Building Society, says the "feel good" factor has increased in recent months. "This year our mortgage lending will break all previous records." In July, Cardiff-Wales airport handled a record 144,000 passengers, a rise for the 16th consecutive month. Lending by the Bank of Wales to manufacturers has increased by nearly 50 per cent over the last 12 months.

Mr Paul Gray, chief executive of TBI, the Cardiff-based property group which became a quoted company this year, believes business has much improved. But he warns: "The market won't help you out in the 1990s like in the 1980s. To be a success, you have to prove you have a better management team in place."

The more positive picture cannot disguise the fact that Wales still lags on a range of measures. The country is seen as having the potential to become one of Europe's most prosperous regions. First, it has to catch up with other parts of Britain. Gross domestic product per head was only 86.1 per cent of the UK average in 1992, remarkably in view of the restructuring which has taken place, the gap is just 0.3 per cent narrower than a decade earlier. Income per head in 1992 was lower than in any other UK region.

The corollary is that Wales would be much worse placed had it not moved from dependency on coal and steel to a broader-based economy. While service industries such as tourism are crucial (and agriculture still employs 65,000 people), the revitalised manufacturing base helped the country through the recession. Steel remains a large employer but, as Dr Haywood says: "There is now a very diverse range of industries from biotechnology to textiles."

Having managed this change, Wales needs a further transition: to foster an enterprise culture in which small and medium-sized businesses flourish. There are indications that this can happen. Self-employment has risen by more than a third since 1979 to 15 per cent of the workforce. Companies employing fewer than 100 people account for over 90 per cent of manufacturers. But entrepreneurs are a rare breed and, as elsewhere, many family-owned firms are content to stay the same size.

As a catalyst, a Land of Enterprise campaign was launched this year in the wake of the Wales 2010 report for the Institute of Welsh Affairs. A central objective is to raise

educational and training standards. While exam results are improving, it is significant that, even at this stage of the recovery, skills shortages are starting to emerge. "Excellence in education and training are essential to Wales' success in the next century," Mr John Redwood, the Welsh Secretary, said last month. "We will earn our living more by our brains than our brawn, more by our own enterprise than by the works of government."

One work of government affecting business is the reform of local authorities, with shadow elections next May to the unitary councils which will replace the existing two-tier structure.

While there is support in theory, there is less enthusiasm in practice - one council chief executive

describes it as "an absolute mess." Mr Michael Rees, director in charge in Cardiff of Chesterton, the property consultancy, is among those critical of the decision to have separate authorities for the capital and Vale of Glamorgan. "The ability to deliver Cardiff as a major European capital will not be achieved without the formation of a greater Cardiff."

The reforms have reinforced pressure for an all-Wales assembly, to which the Labour party is committed. With Conservatives holding only six of the 38 parliamentary seats, an assembly is advocated as a democratic corrective, especially in view of the growth of non-elected public bodies, or quangos. The Council of Welsh Districts estimates there are nearly 350 quangos in Wales, controlling a fifth of public expenditure.

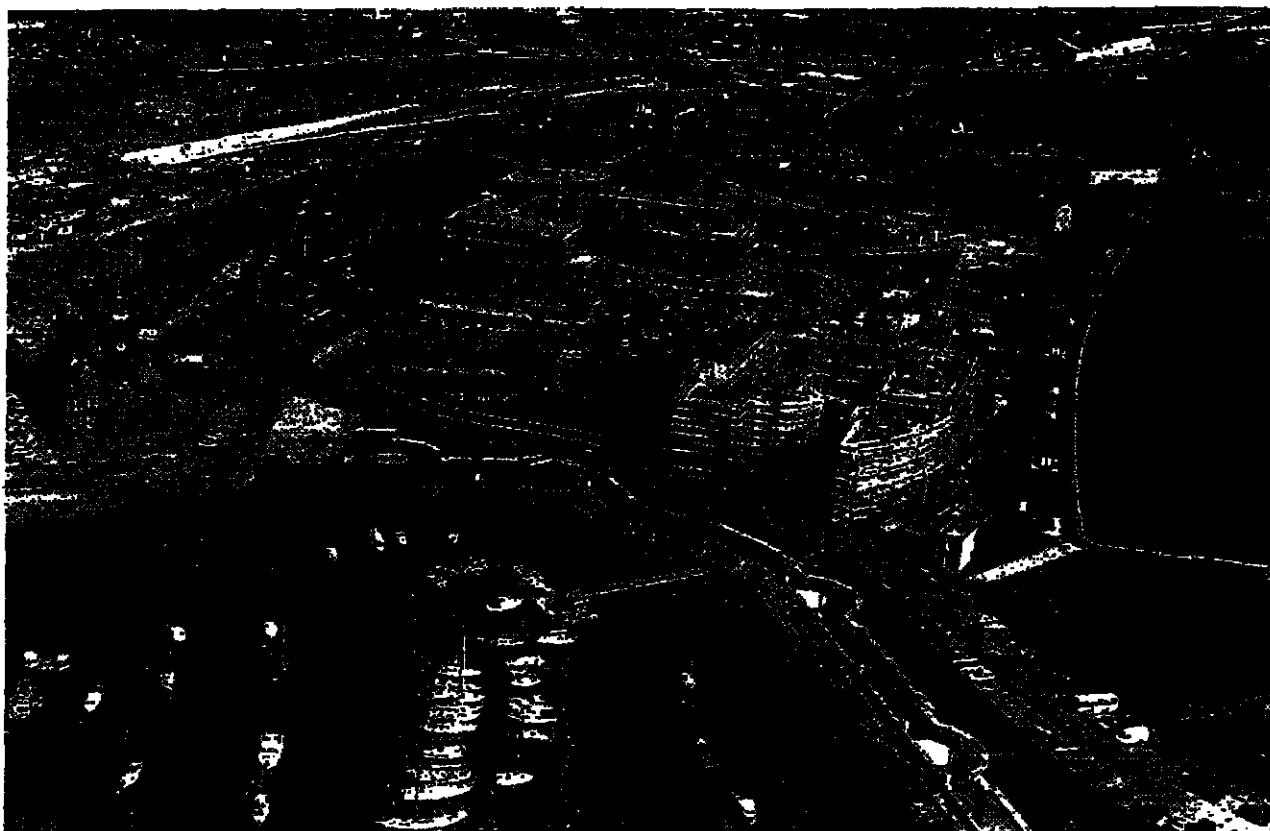
The most prominent is the Welsh Development Agency. Publicly flayed for past practices, the WDA retains much support within the business community. It is admired for its wooing of foreign investors, land reclamation and fostering of partnerships in urban renewal - the decrepit state of many Welsh towns is at last being tackled. In mid-Wales, business people this year also sprang to the defence of the Development Board for Rural Wales when its future was threatened.

The DBRW has survived, although Mr David Rowe-Beddoe, the WDA chairman, has also become its chairman to improve co-ordination. Meanwhile, he has revamped the WDA's management and decentralised the agency's structure. The aim is to improve co-operation with councils and give more support to indigenous businesses. "Small and medium-sized enterprises are our greatest potential strength for the future," he has said.

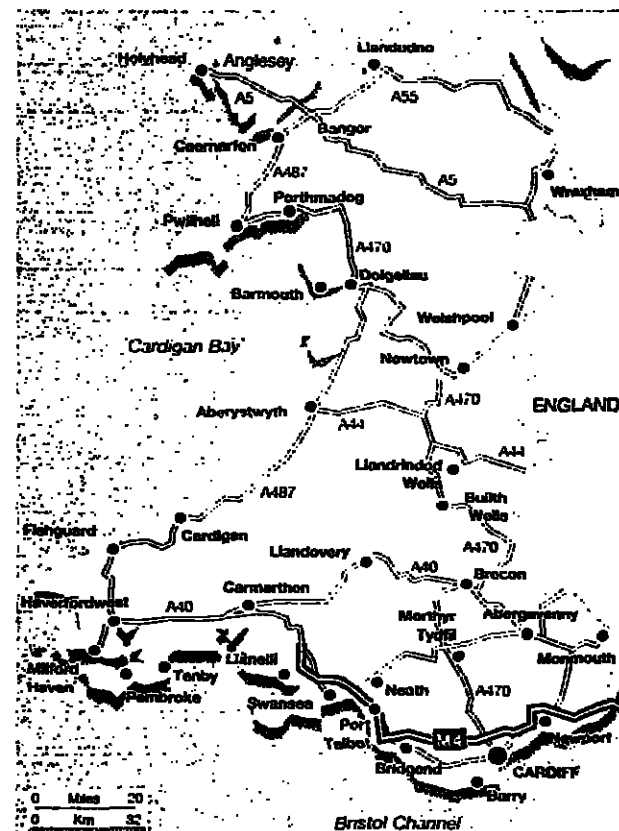
Recognition that there should be more emphasis on these businesses is echoed by the Welsh Office. One reason is that inward investment, while remaining important, is not a panacea. Successes continue - notably by Cardiff Bay in winning a Japanese and German £200m joint venture - and foreign companies are investing in their existing Welsh plants. But parts of Wales lost competitive advantage in the government's review last year of assisted areas.

Mr Rees of Chesterton warns that Wales faces a difficult task in trying to keep up its inward investment record. He says: "Moves out of London are slowing down because of the abundance of special offers and rent-free accommodation in the south-east. The differentials between Wales and the south-east are narrowing, particularly when taking into account the Severn crossing tolls."

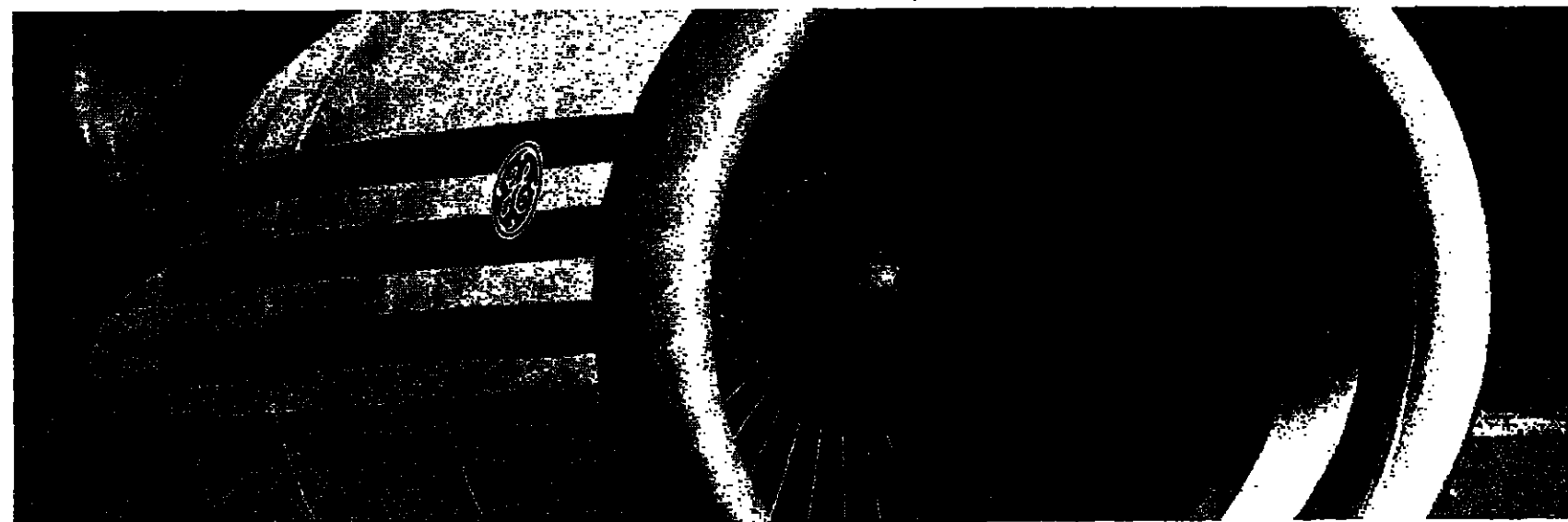
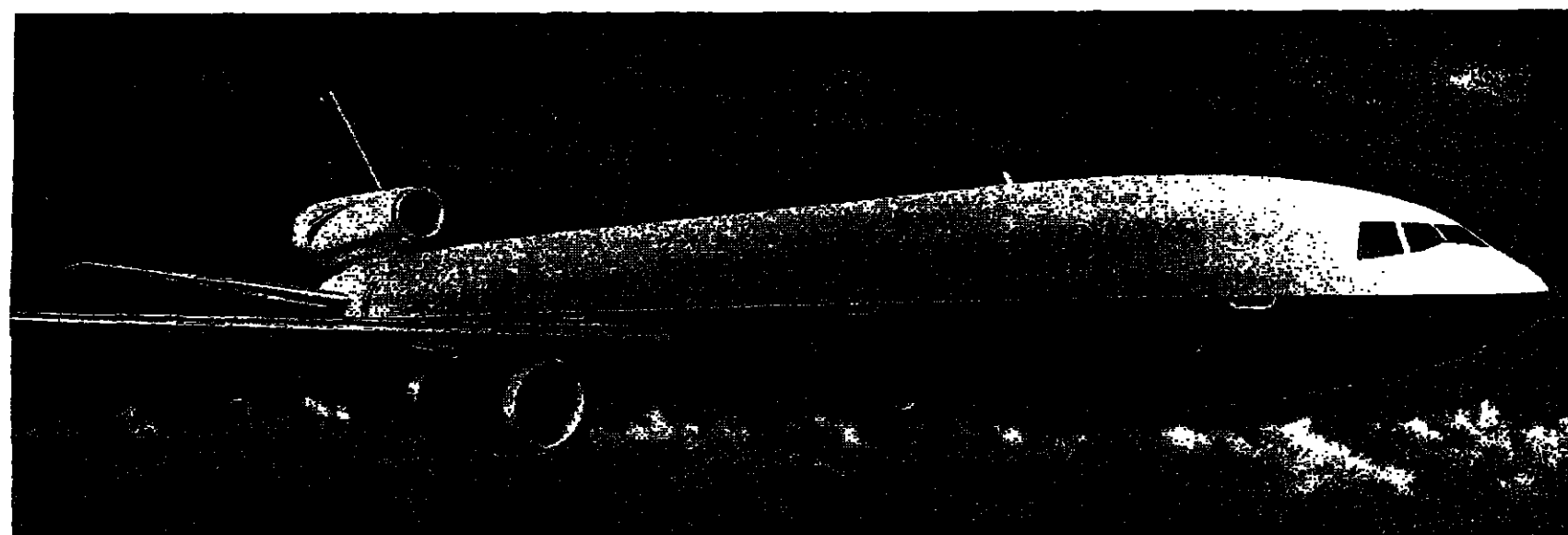
As the recovery gathers pace, the need for the second Severn bridge, now under construction, will become even more apparent in combating the peripheral view of Wales in Europe. Despite other improvements such as the imminent completion of the M4 near Swansea, and the dualling of the A55 in north Wales, weaknesses in the road, air and rail network remain. By the time the new bridge opens in 1996, Welsh enterprises will have discovered to what extent these weaknesses are further exposed by the Channel tunnel.



Cardiff Bay: work on the barrage is under way and a new business centre is developing



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ONE DRAGON.



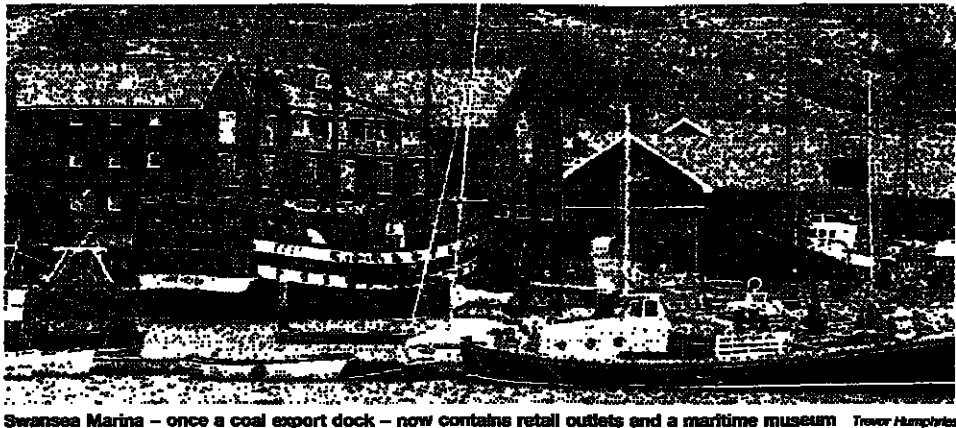
THE WELSH ADVANTAGE.

ENTERPRISE IN WALES II

The concrete blocks of Trawsfynydd nuclear power station in Gwynedd are in gaunt contrast to the surrounding beauty of Snowdonia national park. Its closure, announced in July last year, has threatened an equally gaunt future for its workforce, and for local young people who have lost a potential place to work.

Wales has had to come to terms with the rundown in its traditional industries. In Gwynedd, for example, over 15,000 people used to be employed in slate quarries; today there are only 300. It is ironic that as recent an industry as nuclear electricity should create similar difficulties. The power station was the largest local employer, with 600 staff at its peak, but by 1997 only 50 will remain for site security.

Like the heavy industries, Trawsfynydd will leave a legacy for generations. Nuclear Electric is expected shortly to announce its decommissioning strategy. While there will not be the need, as in south Wales, to repair land dereliction, what has to be ensured is that incoming industries do not damage Gwynedd's spectacular environment. Few nowadays would expect a power station to be built in a national park. A strategy for regeneration has been devised by South Gwynedd Partnership, which includes the county and district councils and development agencies. The region qualifies for European structural funds and has assisted area status; the partnership is also bidding



Swansea Marina - once a coal export dock - now contains retail outlets and a maritime museum. Trevor Humphries

NEW INDUSTRIAL SITES

A non-nuclear park

for an enterprise zone and funding under the Welsh Office's strategic development scheme.

The Development Board for Rural Wales, one of the partners, is creating a landscaped 29-acre Snowdonia business park and, making a virtue out of necessity, says the power station closure provides "a major opportunity for employers seeking reliable and responsible staff".

There are different challenges in the northern part of Gwynedd, where the dualling of the A55 road has improved the link with the M56 and Manchester airport. The Welsh Office is giving strategic prior-

ity to extending the A55 across Anglesey to Holyhead, with its ferry services to Ireland.

Taking advantage of the improved route are two new business parks near Bangor established by the Welsh Development Agency. Glyn Rhonwy, with 135 acres at the foot of Snowdon, has attracted the American company Euro/DPC, which makes medical diagnostic kits. Parc Menai, with 75 wooded acres, is described by National Westminster Bank, which has a business centre there, as having "excellent communications and a superb setting".

On Parc Menai is Snowdonia Business Innovation Centre, which provides advice and support for the commercial development of new products and technology. One current project is to develop a commercial kiln for converting slate into lightweight aggregate. Dr Tom Parry Jones, inventor of the breathalyser, is chairman of the centre, which is a member of the European network of over 100 Bics.

Also based at Parc Menai is Mr Hugh Edwin, the county council's media development officer, a post which reflects a thriving film industry in north-west Wales. His office can access the British Film Commission's national database for finding locations. Sean

the bay - has averaged in recent years around 200,000 sq ft a year. Though there is a substantial surplus of space in central Cardiff at present, much of it is in secondary locations and not high quality. Room for further expansion in the city centre is limited.

However, demand remains relatively weak, and because of a narrowing of the once substantial gap between London and Cardiff rents - and an overhang of space in other provincial cities - relocations are unlikely in the medium term to provide a significant boost to indigenous demand.

Nevertheless, the concept is right, says Mr Peter Kelly, regional chairman of property agents, DTZ Debenham Thorpe. "Cardiff needs a new business quarter. The city centre is full and the bay is already proving attractive to tenants."

Whether the two areas can grow together beneficially is going to depend also on the solution of transport problems. A big growth in office development in the bay area - soon likely to be employing more than 4,500 office workers - could lead to serious traffic congestion if adequate public transport is not put in place.

Various studies have pointed to the need for a light rail system which could be linked to the extensive Cardiff suburban and valleys rail network. Decisions have yet to be taken, however, in part because of the lack of an overall transport planning authority for the region and the likely cost.

There is another physical constraint which the bay planners have been seeking to overcome. Cardiff is bisected by the main London railway line, to the south of which the bay area lies. There are plans to give the city's main station a new southerly entrance and to create a large new square - the Bridge area - which would link the two parts of the city but design of this scheme has proved difficult. Delays also seem likely on another city-bay connector, the broad avenue to run both sides of the rail link into the docks.

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Connelly, Richard Gere and Sir Anthony Hopkins are all filming in Gwynedd this year. The making of television programmes for S4C, the Welsh language channel, has stimulated the local industry which includes Barcud, a production facilities company which has purpose-built studios in Caernarfon.

In South Wales, Cardiff Bay and its barrage have drawn most attention in the rejuvenation of land for commerce and industry. But the capital is not alone in having ambitious plans. Nearby Newport awaits a decision after a public inquiry into a proposed barrage across the river Usk. While the scheme has met with vigorous opposition because of its possible effect on river life, the intention is similarly to provide a better environment for business in a decayed dockland area.

The rundown docklands at Barry, south-west of Cardiff, are also being redeveloped by a partnership of the WDA and Associated British Ports. In March, a parallel partnership - of Vale of Glamorgan borough council, South Glamorgan county council and the WDA - launches Barry Action. This project is to improve the town centre, upgrade communications, smarten the area's appeal for tourism and aid job creation.

Swansea, the second city of Wales, already has its own bar-

rage, across the river Tawe, and has developed a maritime quarter around a 600-berth marina. To promote the commercial possibilities, the city hosted presentations including one at London's Ritz Hotel.

"If you do things to lift your profile, you get the City of London saying, 'What's going on there?'" says Mr Michael Burns, economic development officer at Swansea Centre for Trade & Industry.

The city will come into further prominence next year as host of the UK year of literature and writing. The derelict Victorian Guildhall is being restored to create a national centre of literature due to open in March. By then, the city will be benefiting from completion of the "missing link" of the M4 - the new business opportunities are to be marketed next month at Swansea Bay industry week.

In the next stage of the city's redevelopment plans, a joint venture of the city and WDA is putting in the infrastructure for a structure for Swansea Vale, which will become a suburb of 470 acres next to the motorway. About a quarter of the land will be for industrial and commercial use, and there is space for 1,800 homes and a golf course.

Further along the coast, and also gaining from the motorway completion, is Llanelli, where the borough council and WDA have an impressive, well-advanced regeneration programme. The town suffered when Dupont steelworks closed in 1981 and 1,200 jobs were lost.

The two main aims of the partnership are to regenerate 750 acres of disused industrial land along the coast - two centuries of industrial waste and dozens of derelict sheds and factories have had to be cleared - and to upgrade the town centre.

Over the past four years, the seashore stretch has been transformed, with three lakes and a wildlife and wetland centre. A "coastal village" and business parks are being created. In the town, a £20m shopping complex, developed by Monarch Properties, is due to open in 1996.

"In short," the partnership confidently states, "Llanelli means business."

Roland Adburgham

TOURISM

From slagheaps to showpieces

To suggest a holiday in industrial South Wales would have seemed an unkind joke a decade ago, despite the nearby attractions of the Brecon Beacons and the Pembrokeshire and Gower coasts. Nowadays, a drive up the former mining valleys shows how much the character of the area has altered in a few years.

Preconceptions of valleys scarred by slagheaps, abandoned steelworks and an air of hopelessness are soon dispelled. Over £136m has been spent on greening the countryside and developing tourist attractions, and beautiful hills and parkland now cover most of the ugly coalpit scars. There are forest walks, heritage parks and industrial and craft museums to attract the visitor.

The valleys of industrial south Wales are joining the glories of the coastline, the mountains of the north and the green solitude of mid-Wales to embrace the tourist.

Tourism has always been an important part of the Welsh economy, but until recently it was relatively low key, fragmented and under-capitalised. It consisted mostly of traditional family summer holidays in Llandudno and Rhyl in the north or Tenby and Porthcawl in the south, plus hikers and others attracted to the national parks of Snowdonia, the Brecon Beacons and the Pembrokeshire coast.

Two factors have changed attitudes dramatically, however, and led to a much more coherent, structured study of the industry and how it should be developed.

The first has been the steady decline of traditional industries such as coalmining and steel in south Wales, agriculture in rural mid and north Wales, and more recently, defence industries and air bases in west Wales.

With a need to create jobs, the principality had to exploit its tourist assets: a beautiful

countryside, historic castles, churches and Roman and Celtic antiquities, plus a distinctive language and culture.

The second trigger for reform and development is the changing holiday habits of the British. As people began to opt for the guaranteed sunshine of Spain and Greece, Wales found itself too dependent on the traditional family summer holiday. Hence, it had to offer fresh attractions.

In its first development plan launched over five years ago, the Wales Tourist Board put up £23m of pump-priming capital, which stimulated investment of £171m. That helped create 3,500 full-time equivalent jobs. Tourism is now an increasingly significant industry, employing 95,000 or 9 per cent of the workforce, and earning £1.3bn for the Welsh economy. Some 9m people visit Wales a year.

The intention, revealed earlier this year in a study called Tourism 2000, is to create 10,000 more jobs directly or indirectly, turning tourism into a £2bn a year industry by the turn of the century.

Mr Paul Loveluck, WTb's chief executive, says: "We will target our efforts at certain overseas markets and at increasing the range of attractions for those seeking short breaks or second holidays." Development programmes are planned for coastal resort regeneration in Tenby, Porthcawl and Llandudno; in the historic town of Caernarfon; for country holidays; customer care; and for golf, walking and cycling holidays.

A prime requirement, particularly in the coastal areas most vulnerable to changing holiday patterns, is to attract visitors more evenly throughout the year. There are indications this is beginning to happen. In general, the "shoulder" months of May-June and September-October have seen a

Continued on next page

CARDIFF PROPERTY

The bay gets busy

Delight - mixed with some relief - swept through the Cardiff Bay Development Corporation in July when Nippon Electric Glass of Japan and Schott Glaswerke of Germany announced they would locate a 500,000 sq ft new plant costing £200m near the city's waterfront.

Delight that one of Britain's biggest inward investment schemes this year, creating up to 750 jobs over five years in a high technology industry making glass components for the television industry, was coming to the area; relief that after a long gap a "headline" scheme had been attracted against international competition, possibly opening the way for other companies to follow.

Cardiff Bay's biggest successes to date - headquarters buildings for NCM, a credit

insurer, and for the Welsh Health Common Services Agency - were announced in 1992. Both buildings will be occupied shortly. Though there have been other developments, including a relocation by Axa, the French insurance group, to a 44,000 sq ft building, Meridian Gate, on the fringes of the area, a new supermarket by Tesco on the Penarth side of the bay, and Techniquet, a £7.5m science centre due to open next year, the weak economic environment of the past few years has put a brake on the hoped-for relocations.

Yet the measured pace at which the huge area - a total of 2,700 acres, equivalent to one-sixth the size of Cardiff itself - has been attracting development, may turn out to be an advantage. In London docklands development took place ahead of infrastructure, a mistake which Cardiff, with its ambitious target of attracting £2.5bn over a 10-15 year time-scale, has been able to avoid.

The centrepiece - a two-thirds of a mile long barrage which will impound a 500-acre lake and help to create an eight-mile waterfront - was

started in February, and is expected to be completed in 1998. The peripheral distributor road which will take traffic through the bay has been largely completed from the west and will emerge from a tunnel section into the heart of the bay area by the end of the year. Another section taking traffic east to connect with the M4 should be completed before the end of the decade.

Other parts of the jigsaw, creating a mixed-use development in an area which offers outstanding waterfront opportunities and also takes in Cardiff's docklands and older industrial areas, are being put in place. On the site of former car scrapyards Wilson Bow-

den, the Midlands developer, plans a £50m retail and leisure scheme, including £10m worth of infrastructure; TBL, a local development joint venture, has recently started the first phase of a 140,000 sq ft speculative industrial scheme; housing schemes, including the provision of some social housing and involving local and national groups such as Beazer, Wimpey and Barratt are going ahead at various sites; and Associated British Ports' property arm, Grosvenor Waterside, is hoping to put a 100,000 sq ft new office development, Scott Harbour, out to tender shortly, for a 1996 start.

The development - for which at least a partial pre-let is being sought - will be available to a single occupier, or split into up to five units of 10,000 sq ft or more.

The shape of the area around the old Pier Head, now called the Inner Harbour, is also becoming clear. Next to ABP's south Wales docks office a new hotel is planned, together with an opera house, the design for which is now being selected from a shortlist of eight. It is hoped the opening next year of a silver service Harry Ramsden fish restaurant will encourage the growth of a food quarter like those in Boston and Baltimore in the US.

An important issue, however, is the impact that work on this scale is going to have on the rest of Cardiff, and in particular whether the redeveloped bay will be a natural graft or present the existing city centre with a damaging rival.

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"Cardiff needs a new business quarter. The city centre is full and the bay is already proving attractive to tenants"

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THE LABOUR MARKET

Battle of the sexes

When Admiral Insurance, which specialises in over-the-telephone motor policies, set up in Cardiff in January 1993, it was uncertain if it could recruit the people it needed.

There were many positive factors: the transport links with London, an enthusiastic county council, cheap and available office space, and grant support of £1m.

A stumbling block was the difficulty of persuading managers to relocate because of the dwindling disparity in house prices between the south-east and Wales, and a shortage of executive houses (a frequent complaint by relocating companies). But the big impediment, because it was hard to research in advance, was the quality of the local labour.

After 19 months, Mr David Stevens, Admiral's marketing manager, gives his verdict. "We've been very pleased with the quality of the labour force, notably their reliability and stability. The level of turnover of staff is much lower, and the staff's longer-term commitment to the company is higher, than we would have experienced in the south-east."

In manufacturing industry, Mr Alfred Gooding, head of Gooding Group, is an equally keen advocate of the virtues of Welsh workers, which is one reason why his new joint venture with Grundig, the German consumer electronics company, is sited at Llantrisant near Cardiff. Many other employers in Wales talk of the flexibility and reliability of their staff. Last year, days lost per 1,000 employees due to industrial action were 21, compared with a UK average of 30.

However, while unemployment in Wales has been reduced to about the UK average, this disguises higher levels of male unemployment. In pockets this is severe, with consequent social problems.

A survey last year of a randomly-chosen street on a housing estate in Blaenau Gwent found only 23 adults were working and 60 were out of work. Disability or long-term illness was common. One man had been out of work for 17 years and several for seven to 10 years. Of those in work, many were on low incomes.

The survey was published in "The politics of poverty in

Blaenau Gwent", by Llew Smith, the local Labour MP. Lynda Bransbury and Sarah Gillam. The authors remarked: "An overwhelming number of households complained about being in debt and failing to manage on benefit levels."

In Wales as a whole, gross earnings of full-time employees last year averaged £281 a week, only 89 per cent of the figure for Britain. For workers to raise their incomes, there is an obvious need for higher skills. For companies, a shortage of skilled labour is seen as a constraint on expansion as the recovery gathers pace.

In one initiative, the Welsh Office announced in June it would fund a £2.5m scheme to support 550 engineering apprenticeships, provide engineering equipment for colleges, and instruct workplace trainers. Sir Wyn Roberts, then

Female students achieve better results than males, but "Wales has a male-dominated culture"

Welsh minister, commented: "Manufacturing is a key sector in the Welsh economy, but a common theme in my discussions with industrialists is the shortage of trained people at craft and technician levels."

The need is also for better school results. Welsh boys have lagged behind their English and, in particular, Northern Irish and Scottish counterparts in gaining A-levels (or the equivalent). This year, the chief inspector of schools in Wales reported that although there had been "a steady improvement in pupils' performance within GCSE at every level... much under-achievement of pupils remains."

There has been a big rise in the numbers of those in Wales who go on to further education, from 36 per cent in 1988-89 to 53 per cent. However, female students - who achieve better school results than males - also outnumber them in further education by 20 per cent.

In spite of this, fewer women are economically active than in other parts of Britain. Yet the proportion of women in work has risen sharply in recent years, partly because of part-

time working. A survey by the Welsh training and enterprise councils, published this year, showed 57 per cent of employees were male and 43 per cent female, but in small firms the balance was almost equal. Nearly three times as many women as men worked part-time.

Among the full-time workers, female weekly earnings in Wales were on average 27 per cent below male earnings in 1992. "People and Prosperity, a Challenge to Wales", published last November by the Welsh Office, pointed out that both men and women tended to follow stereotyped vocational routes. "Women are much more likely than men to be in unskilled and semi-skilled jobs, and in jobs without long-term career prospects," it said.

"They are in turn under-represented at the senior levels of industry, public service and the professions as compared with UK averages." The report added: "Employers in Wales are losing by this waste of resources."

One determined attempt to reduce this waste is Chwarae Teg, the women's fair play organisation launched in 1992. This year, it received Welsh Office funding of £50,000 with a commitment for two more years. Chwarae Teg, which has become a non-profit-making company, aims to encourage good practice in training, flexible working and better child-care to enable women to return to work or training. It has become a role model for similar initiatives in England.

Women in Enterprise, an independent networking support group, was launched in 1990 to raise the status of women in business and the professions. It has corporate and individual members and does not exclude men - "We do not believe it is realistic to strive in a one-gender vacuum," says Ms Joanne Hainsworth Lamb, the chairman. But she points out that Wales still has a male-dominated culture. Women are under pressure to conform to domestic roles and find it hard to be promoted.

"Lip service is paid to equal opportunities," she says, "but what is wanted is more practical help."

Roland Adburgham

For Wales, one of the coups this summer was the announcement that Tech-Board, a £40m start-up UK company, would site a hardboard mill, employing 200 people, near Bbbw Vale in Gwent.

Mr Malcolm Graham, Tech-Board's chief executive, explained why. "The region's strong manufacturing heritage and the availability of a quality, highly motivated workforce played a major part in our decision," he said. "The excellent communications with the rest of the UK and continental Europe, via the Heads of the Valleys road and the M4, were also important."

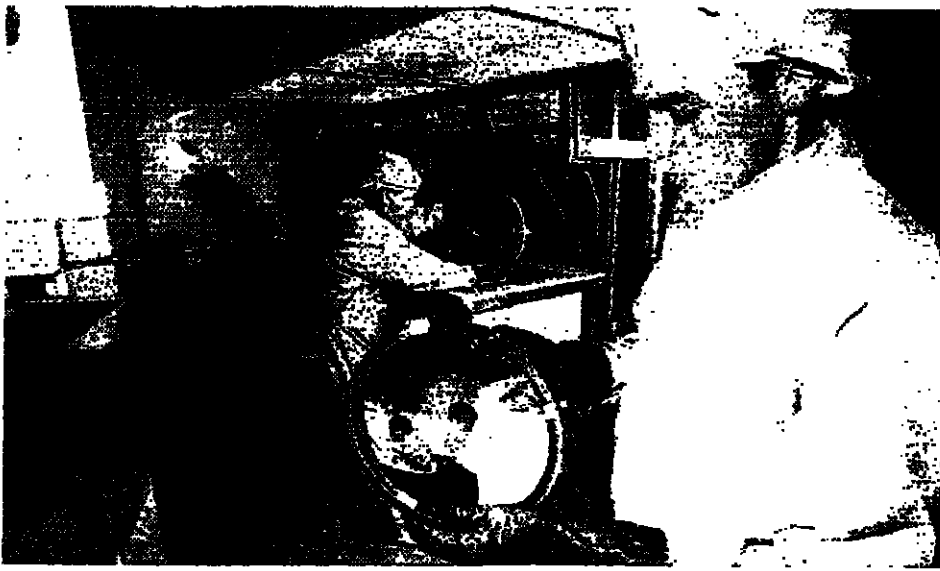
Other key factors, he said, were the support of the Welsh Office, local authorities and the Welsh Development Agency. British Coal Enterprise, the job creation offshoot, put in £250,000 of the venture capital.

Similar stories from other companies explain why Wales continues to attract manufacturing investment. The combination of welcoming local authorities, active development agencies and the availability of grants helped Wales to be the only UK region to increase manufacturing's share of gross domestic product between 1980 and 1992.

Inward investment has played a crucial part in enabling Wales to retain a manufacturing base, despite the contraction of its traditional heavy industries. There are about 350 overseas-owned manufacturing plants in Wales, nearly 100 more than in 1980, and employment by these has risen by 60 per cent.

While competition to win such projects has become tougher, inward investment has not stopped. In May, for example, the Canadian company Fisher Group opened a European headquarters at Welshpool, Powys, to make small die-cast components. Mr Bill Fisher, president, said it chose Welshpool because of "its good transportation links and good working environment".

In July, Nippon Electric Glass said it would site a £200m manufacturing plant at Cardiff Bay. Fears that the world recession would make Wales vulner-



Compact disc masters are prepared at Nimbus Manufacturing in Cwmbran, Gwent

Roland Adburgham looks at the industrial base

Investors still keen

able to cutbacks of "branch-plants" appear overstated. There has been retrenchment. Wella, the German group, is closing its Ondawel hair cosmetics unit at Pontypridd, near Cardiff, with the loss of 150 jobs. Compton Webb, a uniforms maker with several UK plants, shut its Newport factory with 230 redundancies to reduce capacity. The closure this year of BP Chemicals' ethylene cracker plant at Baglan Bay meant 600 jobs were lost.

However, non-Welsh companies are continuing to invest in their businesses in Wales. This spring, Sony opened a frame-making operation at its Bridgend television plant, increasing its Welsh workforce to about 2,700. Another Japanese company, Sharp, is investing £5.5m in its microwave oven plant at Wrexham, Clwyd.

A criticism of many inward investments has been that they have provided only low-paid assembly-type work. But Mr David Rowe-Beddie, chairman of the Welsh Development Agency, comments: "Overseas companies, once established, are becoming more committed to Wales, viewing the principality as the best location for

European headquarters, research and development and manufacturing. This is, in turn, improving both the number and the quality of jobs."

Such projects this year have included a £2m European research and development centre for Calsonic International, the Japanese-owned radiator company, at Llanelli. Automotive components have become one of the principality's key industries, ranging geographically from Ford's engine plant at Bridgend in south Wales to Toyota's engine plant on Deeside, north Wales. It is estimated about 20,000 are employed in the sector.

It is often overlooked that the steel industry, where there has been huge investment, remains one of the biggest employers - British Steel has a workforce of more than 14,000 in Wales. Aerospace has also become a sizeable industry. Its labour force is over 11,000 people, spurred recently by the British Airways £75m maintenance base at Cardiff-Wales airport and £28m avionics component repair business at Llantrisant.

In a different sector, an interesting turnaround has been achieved at CP Pharmaceuticals, which a management buy-in team acquired last year from Fisons. Mr Andrew Coveney, finance director, says the company - based at Wrexham and making hospital and generic products - had been under threat of closure after multi-million pound losses.

"Since then, we have gone from strength to strength, having changed from being an outpost of a big plc to become a medium-sized, thriving, profitable and totally independent company." The 194 jobs were retained and 20 more people have since been recruited.

Another company in a growth industry is Nimbus Manufacturing at Cwmbran, Gwent. It made the first compact disc in Britain 10 years ago and now produces over 35m annually. It is investing £2.5m in its plant, which employs 300 people, this year and sees immense potential for CD-ROMs, the discs which store text, video, sound and graphics. Mr Howard Nash, managing director, describes Cwmbran as a good location for its road distribution - though, like other south Wales businessmen, he is concerned

at the possibility of future motorway tolls.

Wind farms are another novel - but controversial - industry, with a related recognition that there needs to be tight control over their siting. Europe's largest wind farm, with 103 turbines, is at Llandinam, Montgomeryshire.

Among investments this year by indigenous businesses has been that by Control Techniques, a leading producer of electronic drives and controls. At Newtown in mid-Wales, it is spending £8.5m to expand its European headquarters, R&D and production. Stephens & George, which prints about 100 magazine titles, is investing £3.7m at its Borthyr Tydfil plant. Halo Foods, at Tywyn, Gwynedd, has a £3.5m expansion to meet demand for its Halo chocolate snack bar.

There are signs, as the recovery gains ground, of increasing activity. The venture capital group 3i put £8m into 17 Welsh companies in the year to March. It reports a "noticeable increase in the level of growth of capital funding, as businesses moved to strengthen their balance sheets to take advantage of post-recession opportunities".

Made, the valleys enterprise agency, advised in 1993-94 on 182 business plans with an overall funding need of £10.5m, three times the amount sought in the previous year. As big businesses continue to reduce their workforces, much will depend on the growth of such smaller, indigenous businesses.

One need is for more component suppliers and the Source Wales programme, run by the WDA, encourages links between companies. Another scheme, organised by the Welsh Office and Wales Quality Centre (a non-profit-making company to promote quality improvement), is "Inside Welsh Industry". This is a series of visits to selected companies to enable business people to learn from their techniques and technologies.

To promote technology transfer, Transact International fair, organised by the WDA, is to be held in Cardiff in early December. It will enable academic and research organisations to meet companies so as to encourage partnerships for product development.

From slagheaps to showpieces

Continued from previous page

slow but steady growth from second holidays and short breaks. In recent years, there has been a decline in visitors in the peak holiday months, together with a trend towards later booking and discounting. However, this year's fine weather and the economic upturn have brought an increase in hotel occupancy figures over the very poor 1993 season. For example, Mr George Pearsall, proprietor of the Plas Morfa hotel on the coast between Aberystwyth and Cardigan, has seen a rise of 25 per cent in occupancy rates so far this year.

Another major requirement is to attract visitors who spend more money in the principality. This is being achieved by targeting overseas visitors, developing areas of tourism such as golf and yachting, and by improving hotel accommodation and car parking facilities. There are relatively few

top class hotels in Wales, but the standard of accommodation has been improved greatly by the introduction of a quality grading system.

Wales has fared relatively badly in attracting foreign visitors, with under 4 per cent of the UK total compared with 9.5 per cent for Scotland, and efforts are being made to improve this. Two years ago the WTB was allowed to market itself overseas separately from the British Tourist Authority, something Scotland has done for a decade.

The key target market is the US, and a network of 1,500 travel agents has been built up in east and west coast cities to promote Wales as part of a UK tour or as a destination in its own right. Over 300 US travel agents have been brought to Wales for training visits and they receive regular updates on new attractions and facilities. Seminars on tourism in Wales are being held throughout the US next month.

Other markets being researched are Australia, Canada, Germany, the Netherlands, France, Ireland and Japan. (There appeared to be a big increase in Dutch, German and French car numberplates in the byways of rural mid-Wales this summer.)

Over the next three years the WTB plans to double its overseas marketing budget from £750,000 to £1.5m. Mr Loveluck expects overseas visitors to increase by 6 per cent compared with a 2.5 per cent rise in UK tourists.

It is accepted that tourism development must not be allowed to harm the environment or the heritage that draws visitors to Wales. But even this can be controversial territory. Plans to clear and green some of the remaining slagheaps around Ebbw Vale are now being criticised for destroying the country's industrial heritage.

Richard Evans

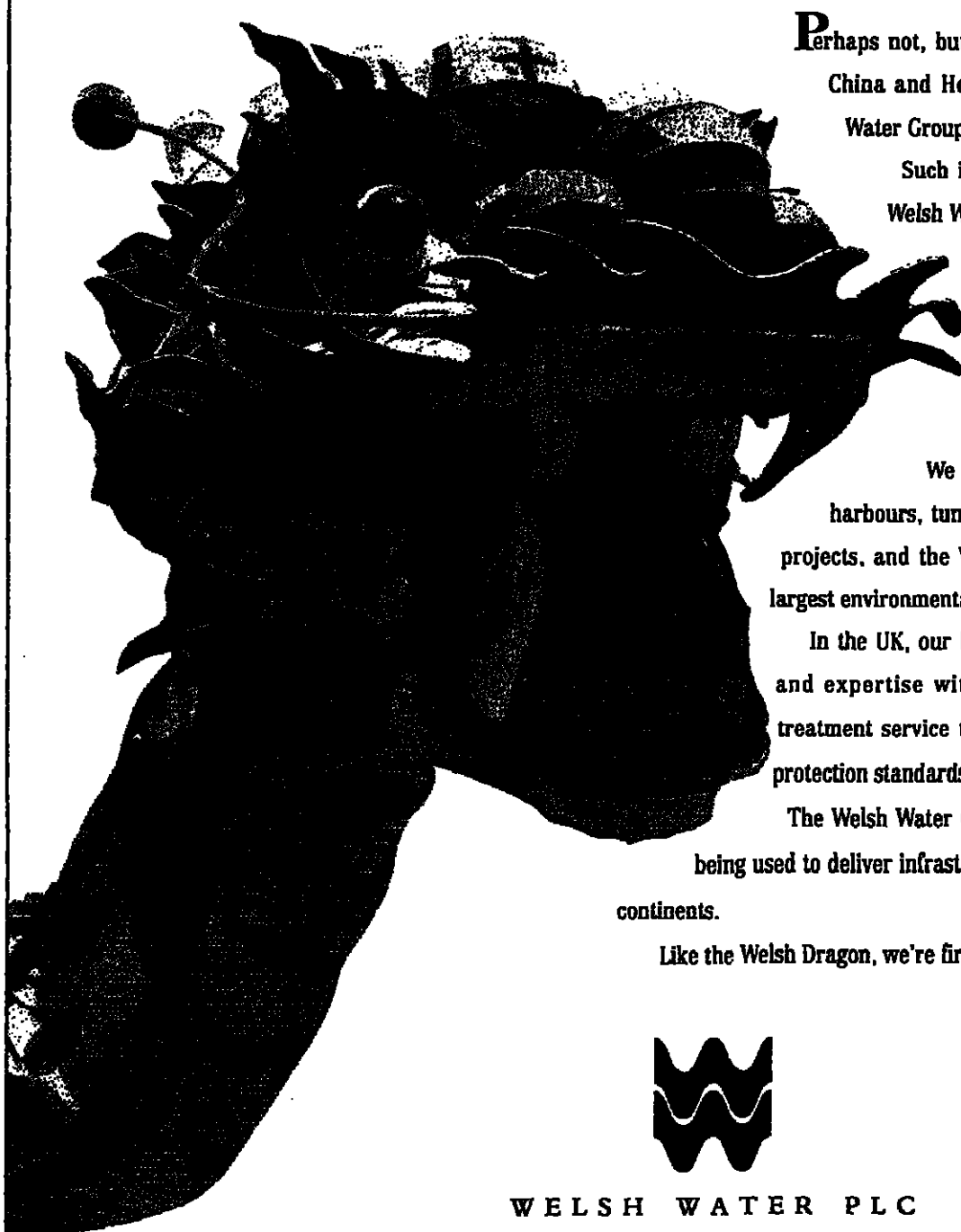
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ENTERPRISE IN WALES IV

Roland Adburgham on efforts to encourage enterprise

Springboard for prosperity

Explaining why the Wales 2010 report, commissioned by the Institute of Welsh Affairs, had advocated a "Wales - Land of Enterprise" campaign, Dr Gareth Jones says: "We felt it critically important to create a positive view of enterprise."

The report, produced last year by a group chaired by Dr Jones, set out to identify how Wales could become one of the most prosperous regions of Europe by 2010. It advocated "keynote years" with themes to stimulate progress towards this target - beginning with the Land of Enterprise.

The campaign has been slow to gain momentum - a launch conference originally proposed for May will take place next month - but Dr Jones stresses it is a springboard for a long-term plan to change the image of Wales over the next decade.

Outside Wales, he says, there remains a perception problem. "There is still an image of miners going home from the coal-pit. There are still elements of churches, chapels, harps and singing."

Within Wales, Dr Jones states, "our aims are the creation of an enterprise culture, to encourage innovation and technology, and to improve education and training. But it is a mammoth task to try to change the culture of a nation struck in a pattern for 200 years - you can't change it overnight or in a single year."

The need, he emphasises, is clear. "Wales has the lowest regional income of any region and it has not advanced because the emphasis has been on 'a job is a job' - we want a highly educated labour force which will have higher added value."

He acknowledges the difficulties in convincing people of the campaign's merits. "Always - particularly in Wales - there is a certain amount of scepticism. It is quite an ambition - but what we are doing has widespread support. We were very concerned to ensure we involved organisations which already existed as part of the process - not to go off on our own tack."

In consequence, a broadly-based, if unwieldy, steering group was set up with over 20 members drawn from leading organisations in the public and private sectors. Mr John Webb, president of Wales Chamber of Commerce and Industry, chairs it.

The Wales 2010 report concluded that

growth in the Welsh economy would come increasingly from smaller companies, and to achieve this growth there needed to be a climate in Wales that was supportive of enterprise. An emphasis of the campaign, Dr Jones states, is to encourage small and medium-sized companies not only to grow but to remain in Wales. "There are so many examples of businesses being started and then 'sold over the bridge'," he says, referring to the Severn crossing between Wales and England.

There is general concern in Wales at ownership of companies moving outside the principality. Price Waterhouse Wales points out that until Biotrace International of Bridgend floated last November, and the reverse takeover in March of the property company Markheath by TBI based at St Mellons, five years had elapsed since Wales had had a new quoted company.

Dr Owen Jones, who chaired the enterprise taskforce for Wales 2010, comments that, with inward investment likely to

play a less vital role in future, "it is most important to have more companies with their corporate headquarters and decision-making in Wales."

A central objective of the campaign is to set up an enterprise foundation. Although this would require substantial public sector funding to get it off the ground, the foundation would be intended ultimately to make Wales less dependent on public sector leadership.

Dr Gareth Jones adds: "We want to get the young people of Wales by 2010 to say: 'We want to set up our own business.' Attitudes in schools have got to change."

The conference, to be held in Cardiff on October 20, will especially target the 16-25 age group with seminars run by people who have set up their own businesses. Training and enterprise councils in south Wales will participate to promote the Investors in People programme.

The effective delivery of advice, whether to young people setting up businesses or to established companies, is an important



John Redwood wants a new generation of mad inventors and great entrepreneurs

legal entities should not be created - nor should there be new premises. Local authorities, Tecs and others have been invited to submit proposals by the end of this month. "I only want a response if you can offer a better service with less confusion and bureaucracy," Mr John Redwood, Welsh Secretary, told them.

What has been described as a "one-stop shop for engineering", and which was welcomed by Mr Redwood, is the Engineering Centre for Wales. This was set up in March - with pump priming from the Welsh Office, Welsh Development Agency, Engineering Council and Royal Academy of Engineering - to enhance the quality of the industry and encourage young people to become engineers.

"We need a new generation of mad inventors and great entrepreneurs," Mr Redwood said at the centre's launch in a speech recalling Brunel's Great Western railway and Stephenson's Rocket. Neither engineer was Welsh, but that young Welsh people can show entrepreneurial spirit was shown in July, when a team of 11 girls at a Barry comprehensive school won the UK Young Enterprise competition, sponsored by Midland Bank.

The company they had formed concerns a faster means of communications than the railways - it makes computer mouse mats.

BUSINESS AND THE WELSH

The élite from outside

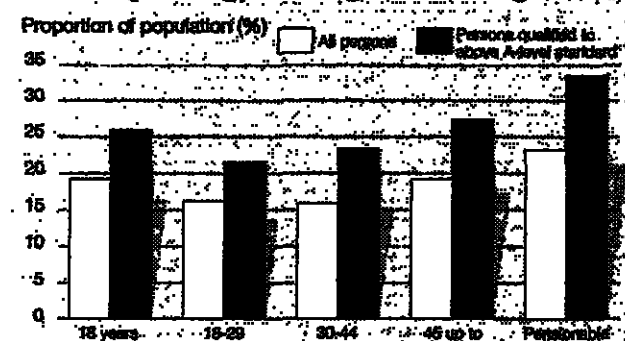
One of the things which puzzles visitors to Wales is why so few people whom they meet running small businesses or tourist facilities are Welsh. The fact that newcomers have so evidently prospered in Wales in recent years suggests the opportunities are there, but the low profile of the Welsh, and in particular the country's 500,000 Welsh speakers, suggests the locals are not taking advantage of them.

This apparent lack of entrepreneurialism - in both language communities - has been the subject of academic research in recent years and is behind the formation of Menter a Busnes (Enterprise and Business) which has a brief to help Welsh speakers to develop their economic potential and so bring renewed economic vitality to parts of Wales where unemployment and migration of young people remain high.

Their Protestant background should perhaps have predisposed the Welsh to enterprise, but historians believe other, less favourable influences have been at work. Though Wales was among the most industrialised parts of the world in the 18th and 19th centuries, the pattern of land ownership resulted in a largely non-Welsh élite controlling, and deriving most of the benefits from, mineral extraction. This, Mr Merfyn Jones of University of Wales, Bangor, points out, prevented

the emergence of an indigenous entrepreneurial class. Social mobility among Welsh people has until comparatively recently been associated not with business but with learning - education, the law, medicine and the church. The dominance of two industries in the Welsh economy - iron and steel, and coal - and their eventual state control

Welsh speaking, reading and writing



Source: Office of Population Censuses

after the war added a further dimension, encouraging many Welsh people to see the public sector as offering the best career prospects.

M a B has done its own probing which has analysed this legacy. Its study of 80 Welsh businesses - 40 run by Welsh speakers and 20 each by English-speaking Welsh people and newcomers, spread across four small towns - has found significant differences in the

types of business in which the groups are represented and, indeed, in the personalities of those running them, with the biggest differences occurring between the Welsh-speakers and the newcomers.

On the whole, Welsh-speakers tended to be traditional in their approach to business, reluctant to take on extensive borrowing, and anxious to

keep activities within safe and stable boundaries. Product ranges were conservative, with changes often customer-driven, and prices were set in line with competitors. Because customers were often known, there was a willingness to advance credit. The newcomers, partly because many were starting up in a new area where they had few contacts, found they had to be more innovative. This was manifested in a willingness to borrow, a reluctance to extend credit, and a much more aggressive approach to marketing and product pricing.

The Welsh-speakers were also less self-confident and more anxious, and tended to see their business in subjective terms. "Non-Welsh speakers feel that it is possible to improve their business by adding to their education or by going on courses. Welsh speakers blame the weaknesses of the business on their own personal shortcomings," Mr Hywel Evans, director of M a B, observes.

With this evidence to hand and using detailed census information on Welsh job characteristics, M a B has devised programmes to change attitudes and get more Welsh people to think about going into business. After only five years, there are signs that subtle changes are being achieved.

The Welsh language broadcast media have been encouraged to feature business more prominently in their programmes, and by focusing on successes to create positive role models as an antidote to the previously negative images of business and business people.

Welsh language course material suitable for use from primary through to further education has been devised, and community groups have been encouraged through a business game, Chwybrol to make business issues a natural topic of discussion.

The signs, according to Professor Phil Cooke, of University of Wales, Cardiff, are that a turnaround in attitudes has begun. Studies undertaken for M a B in 1993 by Beaufort Research showed Welsh speakers had become more aware of successful business role models and thought of Wales more positively as a business location. In addition, the Welsh language had come to be seen by both language groups as offering business advantages.

Other positive signs have emerged, including greater interest among Welsh businessmen and women in banding together to exploit opportunities. In Gwynedd, the Welsh-language market has created a strong print sector but this was under threat from English printers willing to compete for local - and even Welsh language - trade. Rather than retreat, as might have happened in the past, the Welsh companies are coming together to mount their own joint marketing venture.

Another indication of the new self-confidence of Welsh speakers in business has been the emergence in Cardiff of a business group working in professional services. The group, Cwmwm Busnes Caerdydd a'r Cych, has a mailing list of more than 300 members who meet regularly throughout the year.

One of the prime movers, Mr Dafydd Humphreys-Jones, director of Celtic Henderson Crosthwaite in Cardiff, part of Bank of Yokohama-owned Guinness Mahon, offers investment advice through the medium of Welsh - making it necessary to invent a new range of terms (such as breinygraman d-fuddraun or zero dividend preference shares). He recently placed what is probably the first bilingual tombstone advertisement for a share placing involving a north Wales TV production company, and estimates 25 per cent of his company's private client business is conducted through the medium of Welsh.

Rhys David

Roland Adburgham reports on the partnership approach

New life in the valleys

The Victorian edifice, inscribed "Messrs Nixons' Workmen's Institute, Library & Public Hall", has seen better days. The building, in Mountain Ash, Mid-Glamorgan, is derelict and its once-handsome yellow and red brick frontage is sprouting weeds.

Mountain Ash is in Cynon Valley, in the heart of Mid-Glamorgan and at the heart of attempts to revitalise the south Wales valleys. Once there were 50 collieries in Cynon Valley alone and there was a population of 100,000. Today, the population is 67,000 and male unemployment is about 30 per cent. This year, British Coal stopped production at Tower, its last deep mine in south Wales, at the northern end of the valley.

Nixons typifies the challenge: it ran one of the collieries near Mountain Ash. Though the pit closed more than 40 years ago, its black scars remained until recently. Today, the memory of Nixons is being consigned to the past on the pit's reclaimed land, there is the Cwm Cynon business centre.

This flagship centre, opened last year on a 60-acre development site and now fully let, symbolises the efforts being made to revitalise the south Wales valleys. It is one result of a joint venture, launched in 1991, of the borough council, county council and Welsh Development Agency. In the wake of the Tower closure, the WDA investment in the venture has been increased to £20m over the next two years.

As elsewhere in the valleys, a partnership approach is seen as the best means of co-ordinating measures to repair the damage to the environment, regenerate the towns and lever in private capital to create jobs.

At Merthyr Tydfil, for example, a joint venture includes the borough council, Mid Glamorgan county council and WDA in association with Merthyr Business Forum. To encourage the growth of local companies, a business centre was opened last November. The partnership has come up with a scheme to develop five key sites which would be linked with each other and the town centre by monorail, to help counter the drift away of retail spending.

In Gwent, the Victoria Partnership - formed by the WDA, Blaenau Gwent council and the



Tower Colliery in Cynon Valley

place where industry can prosper. The old problems of poor transport and the legacy of the industrial revolution are largely things of the past.

Visitors to the valleys cannot but be aware of the land reclamation, urban renewal and road improvements (the Welsh Office is giving a high priority to the dualling of the A465 Heads of the Valleys road, which will speed links with the English Midlands.) The need is obvious - a decayed environment is only a mask hiding deeper economic and social problems.

The woe-begone appearance of Mountain Ash is not untypical. Old-fashioned shops, with such names as Plain & Fancy, Home Comforts and Rita's Fashions, are next to estate agencies offering terraced cottages for as little as £20,000. Though the valley's employers include Hitachi, AB Electronics, Firelli and Coding San, 42 per cent of the workforce are employed elsewhere.

To widen the industrial base, the Cynon Valley partnership hopes to attract 25 new businesses by 1998, and to set up 200 local businesses. Last year, a technology training centre

unravel the complex land ownerships. Mr Ian MacVicar, Rhymney Valley's economic development officer, says: "What we are finding is that the valleys as a whole are now regarded as a

Continued on next page

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Lead reaches two-year \$625 a tonne LME high

By Kenneth Gooding,
Mining Correspondent

Lead prices reached a fresh two-year peak on the London Metal Exchange yesterday.

Used mainly in batteries, lead already is the best-performing LME metal since world economic recovery began.

Its price has risen by more than 70 per cent from the bottom of the trough in October last year from \$536.75 a tonne to \$625 at one point yesterday.

However, buyers backed

LME METALS STOCKS (As at Monday's close)	
Aluminium	2,430,400
Aluminium alloy	2,430,400
Copper	387,500
Lead	387,500
Nickel	387,500
Zinc	1,132,575
Tin	31,870

away when LME copper prices began to slide and lead for delivery in three months ended \$2.50 down from Monday's close at \$610.

Mr Wilton Bielecki, analyst at Bain & Co., pointed out that

seasonal demand from the battery producers, who account for more than 70 per cent of lead demand, was helping tighten the market, as was a fall in exports from China, Russia and Kazakhstan. Mr Nick Moore, at Ord Minnett, suggested lead was on course for a 25 per cent rise from last year's average price of \$529 a tonne to an average of \$661 in 1994.

He said: "The fundamentals of the market continue to point to an exciting price future for lead."

Rio Algom to boost copper at Cerro Colorado by 50%

By Kenneth Gooding

Rio Algom, the Canadian diversified metals group, already has decided to boost by 50 per cent production from its US\$290m Cerro Colorado copper mine in Chile - which began commercial production only in June.

This year Cerro, located 2,600 metres above sea level in the Atacama desert 120km east of the port of Iquique, will produce 40m lbs of copper. Next year output rises to 60m lbs.

Mr Colin Macaulay, president, said in London yesterday that Cerro was built with expansion in mind and by 1996, by spending only another US\$50m, Rio would lift annual output by half from the present design capacity to more than 120m lbs.

"We could not have brought Cerro into production at a better time," he said because all the indications were that copper prices would remain reasonably high for the next two years.

However, Rio was primarily

focused on keeping production costs down well below the industry average and Cerro, by using the low-cost solvent-extraction, electro-winning

(SX-EW) technology, would produce cathode copper for about 35 cents a lb until the expansion was completed when costs would fall to about 30 cents.

Rio is one of the mining industry's most consistent profit makers but its main source of income until recently came from the Elliot Lake, Ontario, uranium mines. Before Cerro started production, all of Rio's copper - 118m lbs last year - came from a one-third stake in Highland Valley Copper of British Columbia. Highland's cash costs for cathode copper are about 62 cents a lb.

Rio first took an option on Cerro from a Japanese exploration group in the early 1980s and intended to develop a mine in partnership with Outokumpu of Finland. But the copper price plummeted and Outokumpu's unions objected to it operating in a country which then was a right-wing dictatorship.

That was fortunate because

the new SX-EW technology came along which doubled the size of the reserves, is much cheaper and cleaner," Mr Macaulay recalled.

RTZ, the world's biggest min-

ing company which once controlled Rio, also had designs on Cerro. But when RTZ sold to the public its 51 per cent stake two years ago because of growing conflicts of interest, "it could not find a legal way to take it away from us," said Mr Macaulay.

The impact of Cerro on Rio can be judged by the company's sensitivity to the copper price - it does no forward selling or hedging but all production is pre-sold to Japanese and German customers on terms based on the market rate.

At present a 10 US cents a lb change in the price affects Rio's earnings by 19 cents a share. This will increase to 31 cents a share in 1995 and to 38 cents in 1996 after the expansion.

Mr Macaulay said Rio was

Maize shoots on the acid savannah

John Madeley on a new grain option for the ranchers of Colombia and South America

"I'm so excited, I feel drunk just looking at it," said a farmer of flat land in eastern Colombia as he looked at a crop of maize pushing its way through the soil.

For the farmer this was the first time that a crop had ever grown on his acid and infertile soil which is typical of South America's vast savannah lands, traditionally used only for cattle ranching.

Seventeen years of research by the Call-based International Centre for Tropical Agriculture (CIAT) and the Mexican-based International Maize and Wheat Improvement Centre (CIMMYT) has led to the development of a maize variety that grows in savannah soils.

Called "Sikuani" after the name of a Colombian tribe, the new variety could increase the productivity of savannah land by allowing farmers to ranch cattle and to grow a crop.

Dr Shivaji Pandey, a CIMMYT plant breeder, says: "This revolutionary maize tolerates acid soils planted with improved pasture, Sikuani also improves the soil quality, benefiting the pasture or sub-

sequent crops too."

Scientists developed the new variety with germplasm - or genetic material - from Bolivia, Brazil, Colombia, Indonesia, Mexico, Peru, Thailand and Venezuela.

The Colombian Institute of Agricultural Research, the national agricultural research body, and its semi-private branch, the Col-

ombian Corporation of Agricultural Research (CORPOICA), asked 15 Colombian farmers to test Sikuani in their fields.

The result was that the variety yielded an average of 3 tons a hectare in the acid soils. While this might be considered low on fertile soils, it offers South American savannah farmers the chance of a much higher return from their land

than just ranching cattle.

Dr Ral Vera, leader of CIAT's tropical lowlands programme, says: "Planting Sikuani in the savannah will have a revolutionary effect."

A new economic option, a new way of working. Farmers will see that integration of cropping and ranching can make the whole system more productive. Farmers willing to experiment were the final decisive factor in producing this variety.

Two years ago CIAT scientists developed a rice variety that will grow in acid soils. Savannah farmers now have options they could only dream of until recently - to plant rice or maize, or both, on their land to complement their cattle.

The new maize will grow in about 125 days and will give farmers the opportunity to plant two crops a year - from September to January and March to July. While some of the maize produced on the savannah will be marketed for human consumption, some will also be used for cattle feed in the dry season. This will mean that savannah farmers do not

have to purchase maize from outside sources.

The opportunity to use a crop-pasture system could open the way for an increase in both crop and livestock production on South America's savannahs which cover almost half the continent's agricultural land. Especially prominent in Brazil, Colombia

and Venezuela, savannahs are one of the last areas in the world not exploited by farmers.

"The savannahs represent most of the area in the world that can be expanded for agriculture," said CIAT scientist Dr Richard Thomas.

Scientists point out that, although there are large farms on the savannah lands, there

are also many small farmers who make only a meagre living on the poor soils and that changing to a crop-pasture system offers them a real hope of increasing their earnings.

There could also be environmental benefits. Many savannah pastures are overgrazed and a crop-pasture system could mean that farmers keep their stocking densities and farm their land on a more sustainable basis.

Also, farmers whose land is more productive could be less tempted to expand into forest areas and remove trees for agriculture.

CORPOICA released the new maize variety to farmers in Colombia at the end of July. If savannah farmers become convinced of the benefits of both crops and cattle, the problem could be that not enough Sikuani seed will be available. Two Colombian seed companies, and also CORPOICA, are planning to produce and market seeds of the new variety, which is also being tested in Brazil, Ecuador, Peru and Venezuela.

Nordic pulp producers set price increases

By Christopher Brown-Humes
in Stockholm

Leading Nordic pulp producers have announced their fifth increase in prices this year because of continuing wood shortages and strong demand from paper producers.

Their move will lift the price of northern bleached softwood kraft (NBSK) pulp, the industry staple, to \$700 a tonne from

\$630 a tonne and will take effect over the next few weeks. It means prices have risen by 80 per cent from a low of \$390 a tonne at the end of last year.

Finnell, the Finnish marketing organisation, led the latest round of price rises, but it has since been followed by several Swedish heavyweights, including Stora, Europe's largest forestry group, and MoDo.

There is every sign that the

increases will be accepted, suggesting North American producers will push up their prices to the new levels.

The latest rise has been driven by shortages of wood, which are holding down pulp mill operating rates, and a big rise in demand for fine paper on the back of the recovery in the worldwide economy.

Mr Denis Christie, pulp and paper analyst at James Capel

in London, said wood producers were diverting timber to the saw mill industry, where prices have risen sharply, and withholding supplies to pulp mills in anticipation of higher prices.

He added that market pulp volumes had risen 5 per cent this year - around three times the normal annual level - partly because of stockbuilding.

The union is armed with a strike mandate and more mill walk-outs are possible this week.

Russian private grain output

Russian private farmers are expected to harvest 10m tonnes of grain this year despite a shortage of fuel and agricultural equipment, the head of the private farmers' association AKKOR said on Tuesday. Reuters reports from Moscow.

"For the first time since 1917, private farmers will export grain to foreign countries," Mr Vladimir Bushmechnikov said. Private farmers produced about 5m tonnes of grain last year out of total output of 90m tonnes.

Officials have forecast this year's total grain harvest at 90-100m tonnes.

Canadian saw mill workers reject 6% offer

By Robert Gibbons
in Montreal

Members of the IWA-Canada walked out at a big International Forest Products saw mill

at Coquitlam, B.C., saying they were angered by the forest industry's offer of a 6 per cent pay increase over three years.

The loggers and saw mill workers last week lodged a

demand for 18 per cent over three years.

IWA-Canada negotiators said this was a bargaining position and demanded a serious counter offer this week. Talks

are now expected to restart on Thursday.

The union is armed with a strike mandate and more mill walk-outs are possible this week.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY (\$ per tonne)

Cash 3 mths

CLOSE 1533-34 1550-50

PREVIOUS 1534-35 1550-50

HIGH/LOW 1538 1571/1557

AM OFFICIAL 1537-38 1550-51

KARB CLOSE 1537-38 1550-51

OPEN INT. 277.52

TOTAL DAILY TURNOVER 35,154

ALUMINIUM ALLOY (\$ per tonne)

CLOSE 1550-55 1570-75

PREVIOUS 1550-50 1570-75

HIGH/LOW 1550-50 1570-75

AM OFFICIAL 1553-58 1570-75

KARB CLOSE 1553-58 1570-75

OPEN INT. 2.92

TOTAL DAILY TURNOVER 410

LEAD (\$ per tonne)

CLOSE 604.5-5.5 618-20

PREVIOUS 605-11 621-22

HIGH/LOW 611.5-12.0 625-26

AM OFFICIAL 611.5-12.0 625-26

KARB CLOSE 611.5-12.0 625-26

OPEN INT. 41.37

TOTAL DAILY TURNOVER 1,411

NICKEL (\$ per tonne)

CLOSE 6230-35 6325-30

PREVIOUS 6210-15 6305-10

HIGH/LOW 6110/6310 6410/6310

AM OFFICIAL 6255-60 6350-53

KARB CLOSE 6255-60 6350-53

OPEN INT. 55.67

TOTAL DAILY TURNOVER 15,741

TIN (\$ per tonne)

CLOSE 5310-20 5365-70

PREVIOUS 5305-10 5360-75

HIGH/LOW 5300-10 5360-75

AM OFFICIAL 5295-30 5360-70

KARB CLOSE 5295-30 5360-70

OPEN INT. 17.50

TOTAL DAILY TURNOVER 3,944

ZINC, special high grade (\$ per tonne)

CLOSE 965.5-66.5 980-88.5

PREVIOUS 974-75 997-98

HIGH/LOW 965-985 995-985

AM OFFICIAL 965-985 995-985

KARB CLOSE 965-985 995-985

OPEN INT. 88.25

TOTAL DAILY TURNOVER 48,823

LME ANY OTHER 5/8 mths 1.5485

LME CLOSING 2/8 mths 1.5485

Spot LME 3 mths LME 6 mths LME 9 mths LME 12 mths

1 month 4.32 6 months 4.53

2 months 4.34 12 months 4.30

3 months 4.36

Silver Fix 3/40y oz. US \$ equiv.

Spot 351.40 543.00

3 months 355.80 550.00

6 months 361.00 557.00

1 year 374.10 573.50

Gold Fix 3/40y oz. US \$ equiv.

Spot 387.35 254-257

3 months 387.35 254-257

6 months 387.35 254-257

12 months 387.35 254-257

New Sovereign 90-93 58-61

Precious Metals continued

GOLD COMEX (100 Troy oz. \$/Troy oz.)

Sett. Day's

price change High Low

Oct 387.3 387.3

Nov 387.3 387.3

Dec 387.3 387.3

Jan 387.3 387.3

Feb 387.3 387.3

Mar 387.3 387.3

Apr 387.3 387.3

May 387.3 387.3

Jun 387.3 387.3

Jul 387.3 387.3

Aug 387.3 387.3

Sep 387.3 387.3

Oct 387.3 387.3

Nov 387.3 387.3

Dec 387.3 387.3

Jan 387.3 387.3

Feb 387.3 387.3

Mar 387.3 387.3

Apr 387.3 387.3

May 387.3 387.3

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Nov 387.3 387.3

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Mar 387.3 387.3

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Mar 387.3 387.3

Apr 387.3 387.3

May 387.3 387.3

Jun 387.3 387.3

Jul 387.3 387.3

Aug 387.3 387.3

Sep 387.3 387.3

TRANSPORT 8-1A

[illegible]

	Motors	Prices
Anglo Am Ind.		\$240
Barinas		\$495
Delta Prop R.		\$274
Ind. Prop.		\$274
SA		\$479
SA Brans		\$12.5
Tiger Cuts		\$600
Tongant-Huolt		\$551

Where stocks are discounted (underpriced), the market is overvalued.

✓ **Speculators** buy and sell securities to generate profits from price changes in yields and REI prices. They are not investors.

✓ **Market conditions** often are in a **crisis**.

✓ **Estimated** **privately** owned **businesses** are **not** included in the **GDP** because they are **not** **calculated** on an **annual** basis.

✓ **Private** **equity** **investors** are **not** **just** **those** **who** **speculate**, **they** **are** **also** **those** **who** **invest** **in** **the** **business** **for** **the** **long** **run**.

✓ **Estimated** **that** **Asset** **Values** **of** **70** **trillion** **are** **paid**, **along** **with** **the** **cost** **of** **the** **equity** **financing** **to** **the** **company**, **to** **the** **company's** **shareholders**, **and** **to** **the** **company's** **creditors** **per** **share**, **amount** **to** **100** **trillion**.

☐ **Indicates** **the** **most** **actively** **traded** **securities** **are** **those** **where** **intermediaries** **and** **the** **Stock** **Exchange** **Automated** **Quotations** **System** **are** **involved**.

✓ **High** **and** **low** **market** **interest** **rates** **are** **not** **the** **same**.

✓ **Equities** **are** **not** **discounted** **or** **are** **not** **included** **in** **the** **GDP**.

✓ **Private** **equity** **investors** **are** **not** **just** **those** **who** **speculate**, **they** **are** **also** **those** **who** **invest** **in** **the** **business** **for** **the** **long** **run**.

✓ **From** **Accounting** **Reports** **include** **the** **following** **information** **about** **the** **company's** **operations** **and** **the** **company's** **financial** **statements** **are** **not** **included** **in** **the** **GDP**.

✓ **Private** **equity** **investors** **are** **not** **just** **those** **who** **speculate**, **they** **are** **also** **those** **who** **invest** **in** **the** **business** **for** **the** **long** **run**.

✓ **Major** **block** **of** **nonrecognition** **is** **the** **fact** **that** **the** **company's** **operations** **and** **the** **company's** **financial** **statements** **are** **not** **included** **in** **the** **GDP**.

✓ **Unregulated** **collective** **trusts** **are** **not** **included** **in** **the** **GDP**.

✓ **Valid** **based** **on** **the** **company's** **operations** **and** **the** **company's** **financial** **statements** **are** **not** **included** **in** **the** **GDP**.

✓ **Flumes** **based** **on** **the** **company's** **operations** **and** **the** **company's** **financial** **statements** **are** **not** **included** **in** **the** **GDP**.

✓ **Costs** **are** **not** **included** **in** **the** **GDP**.

✓ **Private** **equity** **investors** **are** **not** **just** **those** **who** **speculate**, **they** **are** **also** **those** **who** **invest** **in** **the** **business** **for** **the** **long** **run**.

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	100	250	500	750	1,000	1,250	1,500	1,750	2,000	2,250	2,500	2,750	3,000	3,250	3,500	3,750	4,000	4,250	4,500	4,750	5,000	5,250	5,500	5,750	6,000	6,250	6,500	6,750	7,000	7,250	7,500	7,750	8,000	8,250	8,500	8,750	9,000	9,250	9,500	9,750	10,000	10,250	10,500	10,750	11,000	11,250	11,500	11,750	12,000	12,250	12,500	12,750	13,000	13,250	13,500	13,750	14,000	14,250	14,500	14,750	15,000	15,250	15,500	15,750	16,000	16,250	16,500	16,750	17,000	17,250	17,500	17,750	18,000	18,250	18,500	18,750	19,000	19,250	19,500	19,750	20,000	20,250	20,500	20,750	21,000	21,250	21,500	21,750	22,000	22,250	22,500	22,750	23,000	23,250	23,500	23,750	24,000	24,250	24,500	24,750	25,000	25,250	25,500	25,750	26,000	26,250	26,500	26,750	27,000	27,250	27,500	27,750	28,000	28,250	28,500	28,750	29,000	29,250	29,500	29,750	30,000	30,250	30,500	30,750	31,000	31,250	31,500	31,750	32,000	32,250	32,500	32,750	33,000	33,250	33,500	33,750	34,000	34,250	34,500	34,750	35,000	35,250	35,500	35,750	36,000	36,250	36,500	36,750	37,000	37,250	37,500	37,750	38,000	38,250	38,500	38,750	39,000	39,250	39,500	39,750	40,000	40,250	40,500	40,750	41,000	41,250	41,500	41,750	42,000	42,250	42,500	42,750	43,000	43,250	43,500	43,750	44,000	44,250	44,500	44,750	45,000	45,250	45,500	45,750	46,000	46,250	46,500	46,750	47,000	47,250	47,500	47,750	48,000	48,250	48,500	48,750	49,000	49,250	49,500	49,750	50,000	50,250	50,500	50,750	51,000	51,250	51,500	51,750	52,000	52,250	52,500	52,750	53,000	53,250	53,500	53,750	54,000	54,250	54,500	54,750	55,000	55,250	55,500	55,750	56,000	56,250	56,500	56,750	57,000	57,250	57,500	57,750	58,000	58,250	58,500	58,750	59,000	59,250	59,500	59,750	60,000	60,250	60,500	60,750	61,000	61,250	61,500	61,750	62,000	62,250	62,500	62,750	63,000	63,250	63,500	63,750	64,000	64,250	64,500	64,750	65,000	65,250	65,500	65,750	66,000	66,250	66,500	66,750	67,000	67,250	67,500	67,750	68,000	68,250	68,500	68,750	69,000	69,250	69,500	69,750	70,000	70,250	70,500	70,750	71,000	71,250	71,500	71,750	72,000	72,250	72,500	72,750	73,000	73,250	73,500	73,750	74,000	74,250	74,500	74,750	75,000	75,250	75,500	75,750	76,000	76,250	76,500	76,750	77,000	77,250	77,500	77,750	78,000	78,250	78,500	78,750	79,000	79,250	79,500	79,750	80,000	80,250	80,500	80,750	81,000	81,250	81,500	81,750	82,000	82,250	82,500	82,750	83,000	83,250	83,500	83,750	84,000	84,250	84,500	84,750	85,000	85,250	85,500	85,750	86,000	86,250	86,500	86,750	87,000	87,250	87,500	87,750	88,000	88,250	88,500	88,750	89,000	89,250	89,500	89,750	90,000	90,250	90,500	90,750	91,000	91,250	91,500	91,750	92,000	92,250	92,500	92,750	93,000	93,250	93,500	93,750	94,000	94,250	94,500	94,750	95,000	95,250	95,500	95,750	96,000	96,250	96,500	96,750	97,000	97,250	97,500	97,750	98,000	98,250	98,500	98,750	99,000	99,250	99,500	99,750	100,000
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[illegible][illegible]

Citicorp Unit Trust Managers Ltd (120000)									
Unit	Offering	Net Asset Value	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management
Unit	Offering	Net Asset Value	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management	Assets Under Management
1	1	1	1	1	1	1	1	1	1
2	2	2	2	2	2	2	2	2	2
3	3	3	3	3	3	3	3	3	3
4	4	4	4	4	4	4	4	4	4
5	5	5	5	5	5	5	5	5	5
6	6	6	6	6	6	6	6	6	6
7	7	7	7	7	7	7	7	7	7
8	8	8	8	8	8	8	8	8	8
9	9	9	9	9	9	9	9	9	9
10	10	10	10	10	10	10	10	10	10
11	11	11	11	11	11	11	11	11	11
12	12	12	12	12	12	12	12	12	12
13	13	13	13	13	13	13	13	13	13
14	14	14	14	14	14	14	14	14	14
15	15	15	15	15	15	15	15	15	15
16	16	16	16	16	16	16	16	16	16
17	17	17	17	17	17	17	17	17	17
18	18	18	18	18	18	18	18	18	18
19	19	19	19	19	19	19	19	19	19
20	20	20	20	20	20	20	20	20	20
21	21	21	21	21	21	21	21	21	21
22	22	22	22	22	22	22	22	22	22
23	23	23	23	23	23	23	23	23	23
24	24	24	24	24	24	24	24	24	24
25	25	25	25	25	25	25	25	25	25
26	26	26	26	26	26	26	26	26	26
27	27	27	27	27	27	27	27	27	27
28	28	28	28	28	28	28	28	28	28
29	29	29	29	29	29	29	29	29	29
30	30	30	30	30	30	30	30	30	30
31	31	31	31	31	31	31	31	31	31
32	32	32	32	32	32	32	32	32	32
33	33	33	33	33	33	33	33	33	33
34	34	34	34	34	34	34	34	34	34
35	35	35	35	35	35	35	35	35	35
36	36	36	36	36	36	36	36	36	36
37	37	37	37	37	37	37	37	37	37
38	38	38	38	38	38	38	38	38	38
39	39	39	39	39	39	39	39	39	39
40	40	40	40	40	40	40	40	40	40
41	41	41	41	41	41	41	41	41	41
42	42	42	42	42	42	42	42	42	42
43	43	43	43	43	43	43	43	43	43
44	44	44	44	44	44	44	44	44	44
45	45	45	45	45	45	45	45	45	45
46	46	46	46	46	46	46	46	46	46
47	47	47	47	47	47	47	47	47	47
48	48	48	48	48	48	48	48	48	48
49	49	49	49	49	49	49	49	49	49
50	50	50	50	50	50	50	50	50	50
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Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

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INSURANCES

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 875 4378 for more details.

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CURRENCIES AND MONEY

MARKETS REPORT

EU talk helps D-Mark

The weak dollar and renewed focus on the outlook for European monetary union yesterday boosted the D-Mark, writes Philip Gawth.

Recent discussion about a multi-tier Europe, the meeting of the EU monetary committee, and comments from senior politicians and bankers, all encouraged investors to switch from other European currencies to the D-Mark.

The German currency closed in London at 1.016 against the Italian lira, from 1.011, and at FF3.428, from FF3.426, against the French franc.

The dollar was also a victim of the D-Mark, showing no sign of bucking its recent weakness. It closed a penny lower in London at DM1.546, from DM1.547, and at \$1.546, from \$1.547, against the yen.

The Bank of Japan's quarterly Takan survey of the economy provided no support for the dollar, despite showing an acceleration of the economic recovery. Some analysts had predicted that economic growth would help the dollar, by curbing Japan's trade and current account surpluses.

One interesting development outside of the EU was the announcement by Ann Widdie, the Swedish finance minister, that her Liberal party would join a coalition with right or left-wing parties in order to ensure a majority government.

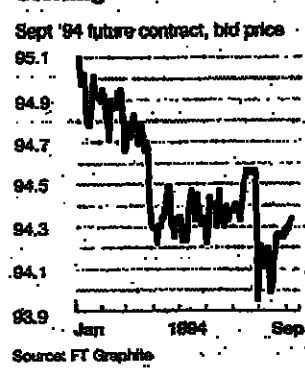
The Swedish krona lost ground on Monday when opinion polls suggested that the opposition SDP might not win an outright majority in the September 18 elections, as previously suggested.

Mr Stewart, however, suggested that the prospect of an SDP in alliance with a centrist party like the Liberals was probably preferable to it winning an outright majority. "It would take some of the heat off the SDP in terms of dealing with the left of their own party," he said.

Mr Theo Waigel, the German finance minister, addressed the German parliament on the same issue, telling members that Germany would ensure the Maastricht treaty's provisions on financial discipline "are strictly observed".

Mr Tim Stewart, currency strategist at Morgan Stanley, commented: "This has highlighted the pressure on second tier countries to tow the line on policy. Markets are starting to put currencies and assets, punishing countries which don't adopt convergent eco-

Sterling



Source: FT Graphix

■ Pounds in New York

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pick-up in demand. Mr Graham Turner, economist at Tokai Bank Europe, said the survey showed the Japanese economy was "withstanding Y99 very well." He said the quicker than expected pick-up in world economic growth, which had helped Japanese exports, was a key engine of the upturn.

Mr Turner was sceptical about whether higher economic growth would curb Japan's trade surplus. To the contrary, he said Japan's exports were increasing across the board and forecast a "quite dramatic" increase in Japan's bilateral surplus with the US over the next 12 months.

Mr Mickey Kantor, the US trade negotiator, will talk today and tomorrow with Japanese ministers, but Mr Turner is sceptical whether these can help the dollar. "Trade imbalances laid the foundation for the trade talks and they are far more important than the talks."

Markets in the UK will be on alert in the next few days for any interest rate move arising from today's monthly monetary meeting. The balance of opinion has shifted away from an early policy tightening, reflected in money market rates which have barely moved in recent weeks. Three month sterling LIBOR continued to fall at 5% per cent.

In the futures markets September and December short sterling contracts both benefited from the "convergence argument" - that futures market rates must converge on cash rates, as contracts near expiry. The September contract closed at 94.34 from 94.32. The contract expires on September 21. Weaker gilt prices depressed the longer dated contracts.

In its daily money market operations the Bank of England cleared a \$400m shortage by providing \$400m liquidity at established rates.

■ OTHER CURRENCIES

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POUND SPOT FORWARD AGAINST THE POUND

Sept 6		Closing mid-point	Change on day	Stk/offer spread	Day's Mid High	One month Rate	Three months Rate	One year Rate	Bank of Eng. index
Europe		16.8295	-0.003	212 - 377	16.8005 16.8045	16.8251	0.3 16.8133	0.4 -	115.5
Austria	(Sch)	43.2835	-0.003	43.2835	43.2835 43.2835	43.2835	0.3 43.2835	-0.1 48.0780	0.4 117.1
Belgium	(Bfr)	43.2835	-0.003	43.2835	43.2835 43.2835	43.2835	0.3 43.2835	-0.1 48.0780	0.4 117.1
Denmark	(DKr)	43.2835	-0.003	43.2835	43.2835 43.2835	43.2835	0.3 43.2835	-0.1 48.0780	0.4 117.1
Finland	(Fmk)	7.7781	-0.047	883 - 878	7.8120 7.7530	-	-	-	84.2
France	(FFr)	43.2835	-0.0456	910 - 910	8.2320 8.1840	8.1892	-0.5 8.1899	-0.2 8.1816	0.4 110.5
Germany	(DM)	43.2835	-0.0148	880 - 872	8.2033 8.0667	2.3904	0.0 2.3987	0.3 2.3999	1.3 126.7
Greece	(Dr)	363.2422	-	363.2422	363.2422	363.2422	363.2422	363.2422	363.2422
Ireland	(IrL)	1.0114	-0.0005	108 - 119	1.0122 1.0058	1.0118	-0.5 1.0133	-0.7 1.019	-0.7 70.4
Italy	(Lit)	2428.58	-1.63	876 - 1040	2433.00 2423.00	2438.58	-3.5 2448.08	-3.2 2510.58	-3.3 102.0
Luxembourg	(Lfr)	43.2835	-0.0074	491 - 479	48.4730 48.4590	48.4696	-0.1 48.4768	-0.1 48.0780	0.4 117.1
Netherlands	(Gld)	43.2835	-0.003	43.2835	43.2835 43.2835	43.2835	0.3 43.2835	-0.1 48.0780	0.4 117.1
Norway	(Krk)	10.3532	-0.044	079 - 164	10.3705 10.4993	10.2682	0.3 10.5197	-0.3 10.5057	0.1 88.4
Portugal	(Esc)	244.662	-0.885	464 - 900	243.929 244.329	245.412	-0.5 246.592	-3.0 -	-
Spain	(Ptas)	163.92	-18.92	163.92	163.92 163.92	163.92	163.92	163.92	163.92
Sweden	(Skr)	11.8138	-0.0598	494 - 226	11.8113 11.8040	11.8333	-0.2 11.8658	-0.2 12.1083	-2.5 74.0
Switzerland	(Sfr)	2.0038	-0.0179	028 - 048	2.0197 2.0028	2.0025	0.8 1.9961	1.2 1.9958	1.8 72.2
UK	(£)	1.2948	-0.0059	543 - 656	1.2698 1.2537	1.2599	-0.7 1.2494	-0.4 1.2599	-0.1 -
ADRs		0.841157	-	-	-	-	-	-	-
Americas		1.5498	-0.0023	481 - 461	1.5498 1.5429	1.5499	-	-	-
Argentina	(Peso)	1.2183	-0.0057	594 - 702	1.2396 1.2654	-	-	-	-
Brazil	(R)	1.1997	-0.0007	187 - 206	1.2173 1.2011	2.1194	0.4 2.1192	0.1 2.191	0.0 89.5
Canada	(C\$)	2.0038	-0.0278	590 - 695	2.0585 1.2542	-	-	-	-
Mexico	(New Peso)	1.5498	-0.0016	492 - 500	1.5610 1.5414	1.5493	0.2 1.5477	0.5 1.5348	1.0 65.5
Pacific/Middle East/Asia		1.5498	-0.0016	492 - 500	1.5610 1.5414	1.5493	0.2 1.5477	0.5 1.5348	1.0 65.5
Australia	(A\$)	2.0031	-0.0005	914 - 843	2.0857 2.0892	2.0973	0.0 2.0944	-0.2 2.1126	0.9 -
Hong Kong	(HK\$)	11.9747	-0.0117	708 - 798	11.9880 11.8320	11.9708	0.4 11.9897	0.2 11.9787	0.0 -
India	(Rs)	49.7933	-	49.7933	49.7933 49.7933	49.7933	49.7933	49.7933	49.7933
Japan	(Y)	152.638	-0.706	844 - 842	153.380 152.500	152.628	2.4 151.743	-3.1 147.098	3.8 186.9
Malaysia	(M\$)	3.8984	-0.0059	548 - 582	3.9262 3.9287	-	-	-	-
New Zealand	(NZ\$)	3.9371	-0.0016	653 - 698	3.9700 2.5568	2.571	-1.8 2.5768	-1.8 2.6011	-1.3 -
Philippines	(P\$)	40.7363	-	40.7363	40.7363 40.7363	40.7363	40.7363	40.7363	40.7363
Saudi Arabia	(Riyal)	5.8117	-0.0058	100 - 134	5.8167 5.7503	-	-	-	-
Singapore	(S\$)	2.2340	-0.0022	230 - 230	2.2520 2.3151	-	-	-	-
South Africa	(Rand)	6.5284	-0.0014	228 - 269	6.5390 6.5390	-	-	-	-
S. Africa (Fin.)	(P)	7.0042	-0.0007	889 - 215	7.0042 6.9958	-	-	-	-
South Korea	(Won)	1261.85	-1.83	127 - 233	1262.82 1237.05	-	-	-	-
Taiwan	(T\$)	40.5995	-0.0027	813 - 178	40.6284 40.6141	-	-	-	-
Thailand	(Baht)	36.8935	-0.0058	680 - 100	36.7100 36.8935	-	-	-	-

100R rate for Sept 2. Bid/offer spread in the Pound Stock table shows only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Starting index calculated by the Bank of England. Base rates = 100.00%. Offer and Mid-rates in both this and the preceding table are in U.S. dollars.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Samsung Laser Disc Player

Dual 1 Bit 4 Times Oversampling
Digital Filter

SAMSUNG ELECTRONICS

Continued on next page

NASDAQ NATIONAL MARKET

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Financial Times. Europe's Business Newspaper.

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AMERICA

Takeover talk fills gap as trading slows

Wall Street

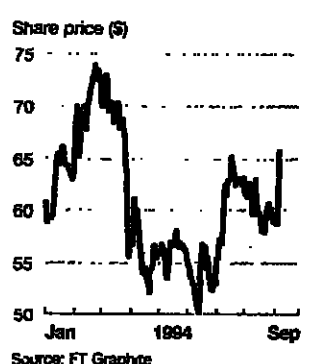
US stocks meandered in sluggish trading yesterday morning as a softer dollar inspired further weakness in bonds, writes Frank McGurty in New York.

By 1 pm, the Dow Jones Industrial Average was up a scant 0.33 at 3,885.91, while the more broadly based Standard & Poor's 500 was off 0.56 at 470.43.

Volume on the Big Board was light, with only 110m shares exchanged by early afternoon.

Declining issues led

Hilton Hotels



advances by 1,180 to 754.

In the secondary markets, the American SE composite was down 0.35 at 455.15, and the Nasdaq composite slipped 1.34 to 757.89.

Stocks could not muster any forward momentum on the morning after the long Labor Day weekend.

The negative tone which had dominated Friday's session continued to hold sway, with the market still confused by the damage which had followed the release of last week's employment data.

Even though the Labor Department report showed much weaker-than-expected growth in payrolls last month, it also included some worrying signs of incipient inflation. That news triggered a moderate sell-off in bonds, which in turn dragged down share prices.

Yesterday, the decline in

bonds showed no signs of abating. With no fresh economic figures due out until the end of the week, attention instead shifted to the foreign exchange markets, where the US currency was slipping against the yen and D-mark.

As the Treasury bonds fell anew, stocks searched in vain for any news which might lift sentiment.

Takeover speculation again helped fill the void. In the session's most attention-grabbing development, shares in Hilton surged 87%, or nearly 13 per cent, to \$654.

A report disclosed that an investment group was seeking to buy the hotel group and split it up.

Meanwhile, an agreement by Eastman Kodak to sell its clinical diagnostics business to Johnson & Johnson for \$1bn had little impact on their respective share prices. Kodak added 8% to \$497, and J&J shed 4% to \$497.

Warner Lambert's appeal as a potential takeover target continued to buffet its share valuation. The issue fell 1% to \$82.4, although activity elsewhere in the pharmaceutical sector was cool.

Semiconductor stocks were the most active in an otherwise dormant technology group. On the NYSE, Texas Instruments dropped 1% to \$74.4 while Applied Materials slumped 1% to \$49.05. The Nasdaq's Technology added 4% to \$397, with support from a recommendation by Mr Vincent Glinski, an analyst at Fehnestock & Company.

Canada

Toronto fell in quiet midday dealings, hit by weak bonds and as the market awaited the results of the Quebec provincial elections on September 12.

The TSE 300 index was 18.85 lower at 4,325.37 at noon.

Thirteen of the market's sub-indices were lower, with only precious metals, up 113.49 or 1.1 per cent, to 10,252.91, defying the downward trend.

Kinross Gold was actively bought, hardening C\$4 to C\$6.6, while PWA put on 3 cents at 61 cents.

EUROPE

Dollar, bond weakness take bourses down again

The prevailing theme of this year's sickly but still expensive European equity markets reassured itself yesterday as the dollar and bond markets weakened again, and bourses shuddered in their wake, writes Our Markets Staff.

Professionals had been expecting a shift in transmission, from interest rates to fundamentally driven markets, said a senior trader in Frankfurt yesterday. But while some company results, such as those of Daimler and the Big Three chemicals, had been adequate, the German corporate sector was still stuck with weak profits performance from its financials, and the ongoing weakness in bonds was not making the latter any more attractive.

FRANKFURT's moments of truth came in the last hour of this trading. The DAX index fell only 8.62 to 2,165.90 on the session, and held that general level for a good part of the afternoon.

However, dealers were watching the September bund future in the last half-hour of this trading, as it broke through 90 on the downside to hit 89.99, recovered to 90 flat and then subsided again to around 89.55 at the end of the equity day.

The Ibis-indicated post-bourse close of 2,158.07 betrayed no obvious sense of panic. But dealers were wary as turnover came out at DM4.9bn, against DM4.7bn on Monday. Mr Detlev Klug at B Metzler in Frankfurt said German fund managers would be more interested in equities at 2,200 than they were at the present level; in the interim, he said, cash market volume was very low and derivatives trading could have an undue effect on share prices.

Against this background, positive news from Volkswagen on car sales did nothing for the shares, down DM2.50 at DM494.50, while Metallgesellschaft's need for more capital, seen as a major sell signal by Mr Hans Peter Woodcock of Robert Fleming late on Monday, left the MG shares DM16, fell only 8.62 to 2,165.90 on the session, and held that general level for a good part of the afternoon.

However, dealers were watching the September bund future in the last half-hour of this trading, as it broke through 90 on the downside to hit 89.99, recovered to 90 flat and then subsided again to around 89.55 at the end of the equity day.

The CAC-40 index fell 36.75, or 1.8 per cent, to 1,961.45 in turnover of FF2.7bn. St Gobain was the most heavily

FTSE Actuaries Share Indices

Step 6	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1372.38	1374.09	1374.84	1372.87	1371.43	1370.94	1372.98	1371.03
FT-SE Eurotrack 200	1430.80	1432.06	1434.01	1431.17	1430.78	1430.25	1432.00	1427.57
FT-SE Eurotrack 100	1380.11	1401.89	1388.82	1405.32	1401.00			
FT-SE Eurotrack 200	1438.12	1451.57	1450.09	1460.58	1455.43			

Base 1000 (20/10/1994); High/Low: 100 - 1375.52-200 - 1434.00 Low/Low: 100 - 1375.52-200 - 1434.00

traded stock as it fell FF2.8, or 4.2 per cent, to FF2.83. Axa was involved in corporate deals in Belgium and Hong Kong, but analysts said its fall of FF9.70, or 3.8 per cent, to FF243.30 was simply a reflection of bond market weakness and its effect on financials.

Among other big losers, Dior fell FF11.80 to FF243.30 on talk of an upcoming equity issue and its parent, Bon Marché, suffered even more with a drop of FF3.35 to FF755.

ZURICH paused after its strong run and the SMI index, which had risen by 5.7 per cent over the last fortnight, gave up 22.1 to 2,652.4. Trading was thin in the absence of foreign demand, which had given support in recent days.

Roche certificates remained at the centre of attention, easing SF750 to SF725.5. Among the chemicals majors only

Sandoz bearers were firmer, adding SF71 to SF714; but in the second tier, Bas continued its recent run, climbing SF20 to SF1230.

BBC bearers eased SF16 to SF11.81 as analysts said that a presentation on Monday by the ABB chief executive Mr Percy Barnevik had provided no fresh information.

MILAN trimmed early losses as some buying developed at the end of a session weighed upon by fears of a renewed war between the government and the judiciary, and still waiting for action on budget deficit cuts.

The Comit index finished 10.25, or 1.5 per cent, lower at 682.99 after a government spokesman said that a magistrates' plan to speed corruption investigations was unacceptable, but Mr Silvio Berlusconi, the prime minister, gave it a

cautious welcome later.

Blue chips were out of favour with foreign investors, while some domestic selling was seen during the session.

Among the heaviest losers, Credito Italiano dropped L80, or 2.8 per cent, to L2,085, while Pirelli was L90, or 3 per cent, off at L4,400.

BCI, under pressure in recent days, managed a L20 gain to L3,570 as its L2,360bn capital increase continued.

AMSTERDAM fell sharply at the close as local investors and options dealers sold heavily, following losses in bonds and other stock markets. The AEX index shed 3.69 to 414.28.

Financials were all weaker, with Ing down F1.80 at F178.40, ABN-Amro by 70 cents at F159.30 and Fortis Amey by 80 cents at F174.00.

Ahold, the food retailer, jumped F1.10 to F148.40 in the wake of its higher second-quarter net profit figures and a forecast of higher full-year profits. Another food company, Nutricia, picked up F1.40 to F189.00 as takeover rumours revived.

Boskalis, the dredging and engineering group, finished 70 cents down at F141.20 after an announcement that its trust group had sold 4.5m ordinary

Boskalis shares to ABN-Amro Holding, at F140.80.

The publishers VNU and Wolters Kluwer were both lower, at F1193.00, down F14.30, and F119.20, off F12.10, respectively. VNU's loss was attributed to profit-taking.

MADRID added a generalised sense of instability in the financial system to its interest rate fears and the general index fell 4.42, or 1.5 per cent, to 285.08 in turnover of Ptas23.9bn.

The obvious targets, interest rate-sensitives such as utilities and banks, were selectively savaged, with Pepsa, Iberdrola and Endesa down by Ptas25 to Ptas300, Ptas30 to Ptas33 and Ptas190 to Ptas300, and Bankinter and Popular off Ptas40 and Ptas300 respectively to Ptas1,300 and Ptas1,350.

WARSAW, where the Wig index was above 20,000 in March, fell below the 10,000 level, the key index losing 851.8, or 8.2 per cent, at 9,565.4 following more evidence of hostilities between Poland's finance minister, Mr Grzegorz Kolodko, and its central bank president, Ms Hanna Gronkiewicz-Waltz.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Nikkei continues easier as Seoul rises to year's high

Tokyo

Investors focused on the listing of Japan Telecom and the release of the Bank of Japan's tankan, or quarterly survey on business sentiment, and share prices lost marginal ground in low volume, writes Emiko Terazono in Tokyo.

The Nikkei 225 average lost 15.20 to 20,333.98. It saw a day's low of 20,331.37, just before the listing of Japan Telecom on the second section, but rose to a high of 20,529.71 after JT fetched an initial trading price of ¥4.7m, its public offering price.

Japan Telecom ended its first day at ¥4.65m after reaching a high of ¥4.95m in the morning session. The stock became the first privatisation offering to close lower than its public offering price.

Buying by banks and investment trusts supported equities in the afternoon, but many investors remained inactive ahead of the tankan release. The survey failed to affect share prices as it revealed that negative sentiment among large companies was easing, matching expectations.

Volume totalled 225m shares, against 272m. The Toxip index of all first section stocks dipped 5.31 to 1,513.15 and the Nikkei 300 shed 1.30 to 293.87. Declines led gains by 646 to 311, with 222 issues unchanged. The TOXIP-Nikkei 50 index eased 3.73 to 1,309.65.

Telecommunications-linked stocks were lower, dragged down by JT. Nippon Telegraph and Telephone fell ¥13,000 to ¥983,000 and DDI ¥23,000 to ¥948,000. Kyocera, DDI's leading shareholder, slipped ¥10 to ¥7,360 and East Japan Railway, a leading shareholder of JT, receded ¥8,000 to ¥13,000.

Steelmakers continued to meet profit-taking. Nippon Steel, the day's most active issue, declined ¥5 to ¥372.

The rise of the yen above the ¥99 level to the dollar hurt high-technology issues, Fujitsu declining ¥10 to ¥1,080. Some defied the trend, Sony firming ¥50 to ¥3,980 and TDK ¥30 to ¥4,300.

Fujitsu General, a home electronics maker, advanced ¥26 to ¥877 on expectations of higher

profits thanks to demand for its air conditioners and refrigerators prompted by the summer's heat.

In Osaka, the OSE average relinquished 195.02 to 23,635.29 in volume of 28.1m shares.

Roundup

Strong performance emerged in some Asian Pacific markets. Karachi was closed for a national holiday.

SEOUL saw a persistent rally in primary blue chips, aided by liquid institutions, lift the market to its high for the year, although other issues remained weak on swift profit-taking. The composite index put on 7.89 to 977.50, surpassing the previous peak of 974.28 on February 2.

Samsung Electronics posted a record high, gaining Won3,000 to Won135,000. Both Posco and Kepco - heavily weighted in the index - went the day's limit up, adding Won2,500 and Won1,000 to Won88,700 and Won30,300 respectively. Petrochemicals, papers and financials lost momentum on profit-taking following recent sharp gains.

Brokers said that the central bank's easing of monetary policy ahead of Chuseok holidays, which fell from September 19 to 21, boosted investor sentiment. An official at the central bank said that about Won3,000m would be released before that time.

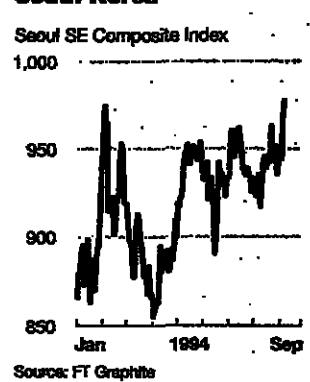
SHANGHAI's A share index rose a further 7.0 per cent, smashing through resistance at 1,000 points in record turnover of ¥16.37bn. The index surged 68.45 to 1,041.94, with blue chip issues leading the market rise.

Shanghai's B share index rose 1.35 to 82.27 in response to the A market climb. In Shenzhen, the A index gained 18.65, or 8.8 per cent, at 231.27, but the B index lost 0.59 to 231.27.

COLOMBO jumped 3.0 per cent amid growing optimism over political developments, the all-share index ending 32.27 up at 1,114.75 as volume increased to 233.5m shares from Monday's 151m.

KUALA LUMPUR was higher as retail investors demonstrated their continued confidence in the market.

South Korea



dence in the market. The composite index added 12.73, or 1.1 per cent, at 1,172.24 in turnover of 494.1m shares.

Selangor Properties rose 34 cents to M\$3.82 as investors

speculated on a reverse takeover of the company.

HONG KONG encountered late bargain hunting which erased early losses and pushed the Hang Seng index back above 10,000. It was finally up 73.93 at 10,095.97 as turnover dwindled to HK\$3.67bn in the absence of US investors.

Most blue chips benefited from the late purchases, Sun Hung Kai Properties gaining HK\$1.25 at HK\$57.75.

Demand for China-owned stocks or H shares intensified, sending the H share index ahead 17.73, or 1.3 per cent, to 1,399.35.

SINGAPORE received a last-minute boost from a late push in Keppel after an otherwise quiet day. The Straits Times Industrial index ended 10.49 up at 2,335.55 and Keppel put on 40 cents at S\$11.90.

BANGKOK fluctuated throughout the day to close slightly higher on buying of small, cheap stocks. The SET index firmed 3.84 to 1,535.14 in moderate turnover of B\$1.4bn.

The communications sector was firm as Shinawatra Satellite, which said it was to launch another satellite to widen its service area on October 4, appreciated B\$1 to B\$123.

TAIPEI ended weaker after institutional investors sold electronics and plastics issues, but financials posted minor gains. The weighted index shed 35.85 to 6,830.47 in thin turnover of T\$67.03bn.

MANILA slid at the close as investors sold heavily to position themselves for the much awaited listing of Petron Corp shares today, but brokers said selected second-liners cushioned the fall. The composite

index retreated 17.82 to 3,098.48, pulled down by declines in many blue chips.

SYDNEY was higher in thin trade following Monday's holiday closure of Wall Street. The All Ordinaries index moved forward 8.2 to 2,103.6.

Dealers said that the stronger tone of the market was partly due to technical factors, with bargain hunters targeting stocks that had been sold lower in the previous two sessions.

WELLINGTON was dominated by trading in Telecom, which accounted for nearly one-half of the market's NZ\$48.4m turnover.

Telecom's 8-cent rise to NZ\$3.39, on strong US demand, was also mainly responsible for the NZSE-40 index remaining in positive territory, up 2.71 at 2,178.22.

Brazil sees 3.9% rebound

São Paulo rebounded 3.9 per cent in midday trade as a new opinion poll showed that Mr Fernando Henrique Cardoso had retained his lead in the presidential race, and might even win at the first round of voting on October 3.

The market had plunged by 10.5 per cent on Monday amid worries that Mr Cardoso's candidature would be damaged in the wake of the resignation of Mr Rubens Ricupero as the economy minister.

The Bovespa index was up 1,897 to 49,937 at 1300 local time after publication of the poll, conducted after Mr Ricupero's resignation. Volume came to R\$254.2m (S\$27.2m).

In New York, however, Goldman Sachs lowered its weighting in Brazilian stocks to neutral from overweight, on the view that Mr Cardoso was unlikely to succeed in the election in the first round, although it still expected him to win the presidency.

S Africa rally goes on

Gold shares again led Johannesburg higher, as fears of profit-taking after recent gains proved unfounded.

Demand for commodity-based stocks was firm from local and offshore investors in strong trade, with rises underpinned by institutional reluctance to invest in gilts and a consequent flow of funds towards equities.

The decision by striking motor assembly workers to return to work from today

continued to support the industrial market.

The gold shares index climbed 49 to 2,502, bringing the gain since the start of business on Friday to 170 points. Industrials collected 54 at 6,662 and the overall index was 53 higher at 8,009.

De Beers picked up R2.75 at R109.75 but Anglo lost R1 at R259, while JCI advanced R3 to R219 ahead of results.

Iscor strengthened 12 cents to a fresh high of R4.60.

ACTUARIES WORLDWIDE INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co., and NatWest Securities Ltd. in conjunction with the Institutes of Actuaries and the Faculty of Actuaries

NATIONAL MARKETS								FRIDAY SEPTEMBER 2 1994								DOLLAR INDEX								
Figures in parentheses show changes from index of 100								Round Dollar Index								Year ago								
US Dollar Index	Day's Change	%	Point	Yen Index	DM Index	Local Currency % chg on day	Gross Div. Yield	US Dollar Index	Day's Change	%	Point	Yen Index	DM Index	Local Currency % chg on day	Gross Div. Yield	US Dollar Index	Day's Change	%	Point	Yen Index	DM Index	Local Currency % chg on day	Gross Div. Yield	
Australia (26)	-178.86	-1.0	169.38	110.98	142.85	150.07	-0.8	3.47	178.68	171.47	112.26	144.03	180.03	189.15	139.24	142.21	178.68	-1.0	169.38	110.98	142.85	150.07	-0.8	3.47
Austria (11)	-195.33	-0.1	187.07	122.54	157.77	157.87	-0.3	1.01	195.05	187.20	122.55	158.22	159.12	164.84	164.84	172.24	195.33	-0.1	187.07	122.54	157.77	157.87	-0.3	1.01
Belgium (12)	-178.63	-0.2	188.17	110.81	142.87	139.45	-0.7	3.98	177.04	169.90	111.23	143.60	140.38	177.04	143.62	150.98	178.63	-0.2	188.17	110.81	142.87	139.45	-0.7	3.98
Canada (10)	-135.80	0.1	130.07	85.20	109.70	104.20	0.0	2.50	135.80	138.12	85.18	108.98	134.21	145.31	120.54	128.84	135.80	0.1	130.07	85.20	109.70	104.20	0.0	2.50
Denmark (23)	-258.23	0.5	247.42	182.07	208.67	215.33	-0.1	1.38	257.07	246.71	181.55	208.22	215.58	247.79	253.94	229.97	258.23	0.5	247.42	182.07	208.67	215.33	-0.1	1.38
Finland (24)	-178.00	-0.7	170.48	111.87	143.78	138.63	-0.5	0.74	179.20	172.07	112.65	145.41	139.84	179.20	104.28	106.18	178.00	-0.7	170.48	111.87	143.78	138.63	-0.5	0.74
France (87)	-174.75	-0.5	187.25	109.82	141.14	145.80	-1.0	3.62	174.75	188.49	110.31	142.41	147.34	186.37	159.34	168.10	174.75	-0.5	187.25	109.82	141.14	145.80	-1.0	3.62
Germany (58)	-148.50	-0.7	142.22	82.16	110.95	119.95	-1.1	1.72	148.54	143.51	83.96	121.30	149.54	124.35	128.77	128.77	148.50	-0.7	142.22	82.16	110.95	119.95	-1.1	1.72
Hong Kong (56)	-406.82	0.6	380.64	256.23	328.82	403.03	0.8	3.03	404.39	388.08	254.08	328.02	401.18	506.86	262.08	286.44	406.82	0.6	380.64	256.23	328.82	403.03	0.8	3.03
Ireland (14)	-216.13	0.5	207.00	135.99	174.58	198.77	0.5	3.18	214.99	206.23	135.08	174.39	197.78	218.13	161.54	171.70	216.13	0.5	207.00	135.99	174.58	198.77	0.5	3.18
Italy (59)	-81.55	-1.7	78.40	51.41	86.20	96.12	-1.9	1.82	82.33	79.87	52.38	87.60	88.01	97.78	87.88	77.70	81.55	-1.7	78.40	51.41	86.20	96.12	-1.9	1.82
Japan (66)	-162.74	-1.3	158.86	102.10	131.45	102.10	-1.4	0.75	164.89	158.95	102.60	123.74	109.50	170.10	124.54	161.70	162.74	-1.3	158.86	102.10	131.45	102.10	-1.4	0.75
Malaysia (87)	-553.51	-0.4	539.71	353.53	455.18	553.05	-0.4	1.50	555.85	543.04	355.52	458.99	558.04	621.83	592.03	405.72	553.51	-0.4	539.71	353.53	455.18	553.05	-0.4	1.50
Mexico (18)	-223.91	-0.5	214.27	140.28	189.28	222.53	-0.6	1.81	221.80	216.03	140.28	189.28	222.53	216.03	140.28	189.28	223.91	-0.5	214.27	140.28	189.28	222.53	-0.6	1.81
Netherlands (27)	-216.19	0.1	208.98	138.89	176.25	173.61	-0.3	3.30	216.77	209.06	138.89	176.25	173.61	216.19	180.25	165.58	216.19	0.1	208.98	138.89	176.25	173.61	-0.3	3.30
New Zealand (14)	-78.50	-0.2	72.81	47.37	60.98	64.44	-0.1	3.17	78.50	76.98	47.32	61.35	66.37	77.59	59.22	70.73	78.50	-0.2	72.81	47.37	60.98	64.44	-0.1	3.17
Norway (31)	-305.91	0.1	295.10	128.16	159.38	150.58	-1.3	1.73	307.92	295.10	128.16	159.38	150.58	305.91	181.74	165.52	305.91	0.1	295.10	128.16	159.38	150.58	-1.3	1.73
Spain (25)	-308.17	0.2	256.09	159.38	204.78	204.78	0.8	2.08	305.12	299.51	159.38	204.78	204.78	308.17	181.74	165.52	308.17	0.2	256.09	159.38	204.78	204.78	0.8	2.08
South Africa (53)	-368.11	0.1	352.69	193.30	249.87	304.73	0.8	2.08	367.25	352.69	193.30	249.87	304.73	368.11	181.74	165.52	368.11	0.1	352.69	193.30	249.87	304.73	0.8	2.08
Sweden (42)	-122.90	-1.2	132.94	87.08	112.12	135.87	-1.5	2.44	140.47	134.81	88.26	113.54	137.92	155.79	128.88	138.43	122.90	-1.2	132.94	87.08	112.12	135.87	-1.5	2.44
Switzerland (38)	-230.90	-2.8	211.57	138.98	178.44	251.02	-2.3	1.56	228.60	217.86	142.93	183.37	258.92	231.35	175.83	168.20	230.90	-2.8	211.57	138.98	178.44	251.02	-2.3	1.56
Taiwan (57)	-167.18	0.4	159.11	104.82	135.87	159.11	0.0	1.38	167.48	159.11	104.82	135.87	159.11	167.18	104.82	135.87	167.18	0.4	159.11	104.82	135.87	159.11	0.0	1.38
Thailand (14)	-192.41	0.7	184.01	120.40	165.32	198.01	0.1	2.71	192.41	184.01	120.40	165.32	198.01	192.41	120.40	165.32	192.41	0.7	184.01	120.40	165.32	198.01	0.1	2.71
USA (517)	-100.00	0.0	180.00	120.58	155.25	192.21	0.0	2.82	192.21	184.26	120.76	155.82	192.21	184.26	120.76	155.82	100.00	0.0	180.00	120.58	155.25	192.21	0.0	2.82
EUROPE (718)	-215.89	-0.1	198.46	110.35	142.88	157.39	-0.4	2.88	178.01	189.01	110.35	142.76	157.39	176.29	153.98	158.89	215.89	-0.1	198.46	110.35	142.88	157.39	-0.4	2.88
Western (115)	-178.86	-1.5	206.96	138.86	176.23	211.02	-1.4	1.04	221.44	212.51	138.13	178.82	214.01	222.03	173.19	178.24	178.86	-1.5	206.96	138.86	176.23	211.02	-1.4	1.04
Pacific Basin (1468)	-172.77	-1.1	185.47	108.39	139.58	151.32	-1.2	1.08	174.72	187.98	108.76	141.73	114.72	178.88	134.79	164.66	172.77	-1.1	185.47	108.39	139.58	151.32	-1.2	1.08
Asia-Pacific (1468)	-173.96	-0.7	186.61	108.14	140.51	133.00	-0.9	1.67	174.15	188.07	110.04	142.06	131.74	175.84	143.88	182.12	173.96	-0.7	186.61	108.14	140.51	133.00	-0.9	1.67
North America (651)	-188.70	-0.3	188.70	108.70	139.58	151.32	-0.2	2.80	188.69	187.18	108.76	142.06	131.74	175.84	143.88	182.12	188.70	-0.3	188.70	108.70	139.58	151.32	-0.2	2.80
Europe Ex. UK (612)	-185.01	-0.5	185.01	98.33	128.69	350.01	0.0	2.70	185.01	185.01	98.33	128.69	350.01	185.01	98.33	128.69	185.01	-0.5	185.01	98.33	128.69	350.01	0.0	2.70
Europe Ex. UK (279)	-269.70	-0.1	269.70	189.20	216.80	216.80	0.0	2.80	269.70	269.70	189.20	216.80	216.80	269.70	189.20	216.80	269.70	-0.1	269.70	189.20	216.80	216.80	0.0	2.80
World Ex. US (1847)	-175.55	-0.8	188.13	110.14	141.89	148.94	-0.8	1.69	178.85	188.22	110.88	143.28	136.89	178.85	148.58	162.18	175.55	-0.8	188.13	110.14	141.89	148.94	-0.8	1.69
World Ex. US (1847)	-177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03	178.69	171.39	112.20	144.18	149.17	178.69	155.95	168.00	177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03
World Ex. US (1847)	-177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03	178.69	171.39	112.20	144.18	149.17	178.69	155.95	168.00	177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03
World Ex. US (1847)	-177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03	178.69	171.39	112.20	144.18	149.17	178.69	155.95	168.00	177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03
World Ex. US (1847)	-177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03	178.69	171.39	112.20	144.18	149.17	178.69	155.95	168.00	177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03
World Ex. US (1847)	-177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03	178.69	171.39	112.20	144.18	149.17	178.69	155.95	168.00	177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03
World Ex. US (1847)	-177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03	178.69	171.39	112.20	144.18	149.17	178.69	155.95	168.00	177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03
World Ex. US (1847)	-177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03	178.69	171.39	112.20	144.18	149.17	178.69	155.95	168.00	177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03
World Ex. US (1847)	-177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03	178.69	171.39	112.20	144.18	149.17	178.69	155.95	168.00	177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03
World Ex. US (1847)	-177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03	178.69	171.39	112.20	144.18	149.17	178.69	155.95	168.00	177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03
World Ex. US (1847)	-177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03	178.69	171.39	112.20	144.18	149.17	178.69	155.95	168.00	177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03
World Ex. US (1847)	-177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03	178.69	171.39	112.20	144.18	149.17	178.69	155.95	168.00	177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03
World Ex. US (1847)	-177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03	178.69	171.39	112.20	144.18	149.17	178.69	155.95	168.00	177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03
World Ex. US (1847)	-177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03	178.69	171.39	112.20	144.18	149.17	178.69	155.95	168.00	177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03
World Ex. US (1847)	-177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03	178.69	171.39	112.20	144.18	149.17	178.69	155.95	168.00	177.49	-0.6	170.14	111.49	143.99	148.21	-0.6	2.03
World Ex. US (1847)	-177.49	-0																						